FINANCIAL TIMES

The U.S. dolla[r]
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EUROPE'S BUSINESS NEWSPAPER

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NEWS SUMMARY

GENERAL

Denktash puts new Cyprus proposals

Turkish Cypriot leader Rauf Denktash has put forward new proposals aimed at breaking the Cyprus deadlock and improving relations between the two communities.

They included renewed offers to resettle Greek Cypriots in the deserted resort of Famagusta, in the north-east of the island under Turkish occupation, and to reopen Nicosia international airport, shut since 1974.

President Spyros Kyprianou is holding talks with advisers and the Government's reaction to the initiative is expected today.

Seizure ordered

Milan magistrates have ordered the seizure of assets worth many millions of dollars from businessmen suspected of fraud in the collapse of the Banco Ambrosiano.

New Flick inquiry

Former West German economics minister Dr Hans Friderichs, now chief executive of the Dresdner Bank, who already faces charges of taking bribes from the Flick group, is now under investigation on suspicion of having destroyed records of contributions to the Free Democrat party. Page 2

Policemen killed

Two Spanish policemen were shot dead in a Madrid street two hours after the death in a French hospital of a Basque guerrilla wounded by an anti-terrorist group.

Queen's appeal

Queen Elizabeth asked British newspaper editors to withdraw reporters and photographers from her estate at Sandringham, Norfolk, after the detention near the house of a man who had posed as a member of her household.

Hunger strike over

Six convicted Red Brigades terrorists ended a 26-day hunger strike in a Sardinia hospital after the Italian Government announced prison reforms that met some of their demands.

Polisario claim

Polisario Front claimed that its fighters had killed 75 Moroccan soldiers and destroyed 23 vehicles in the western Sahara.

Refugees to return

Zambia is preparing to fly home to Angola about 2,000 refugees who crossed the frontier before Christmas.

Zimbabwe MP dies

Zimbabwe MP Donald Goddard, 33, a white member of the Republican Front and a critic of the Mugabe Government, was killed when he fell from the top of Lundi Falls, near Gweru.

Khmer Rouge win

Khmer Rouge guerrillas have captured a Vietnamese base in Kampuchea, near the Thai border, after a two-day fight, the Thai army claimed.

Air marathon

London-based American Munroe Spaght, 74, left Heathrow for Jamaica with his wife on a flight on which he will clock up his four-millionth mile of air travel.

Encore — 11 times

British pianist Peter Donohoe was called back for 11 encores after a Moscow concert in which he played works by Brahms, Beethoven, Ravel and Prokoviev.

Leningrad flooded

Leningrad's worst floods in recent years covered 35 square kilometres of seafront. Lisbon airport was shut by fog.

BUSINESS

German, Dutch markets hit peaks

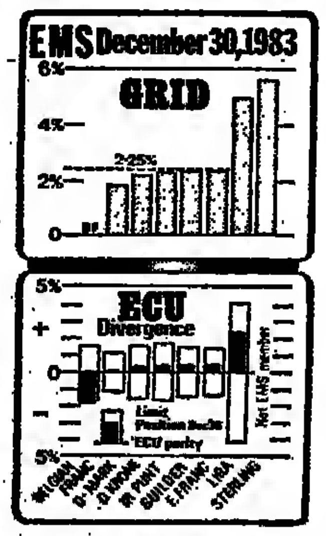
● FRANKFURT: The Commerzbank index gained 18 points after heavy trading to reach a record 1,059.7, and the FAZ index was up 5.45 at a record 357.28. Page 18

● AMSTERDAM: The Dutch all-share index gained 4.3 to reach 158.5, the fourth consecutive trading day it had set a record. Page 18

● LONDON, Wall Street and Tokyo exchanges were shut for the new year holiday.

● CURRENCIES: London and New York money markets were shut, but in Frankfurt the dollar edged higher to DM 2.73925, against its Friday New York close of DM 2.7275. It was little changed against other leading currencies. Page 24

● EUROPEAN Monetary System trading was extremely thin last week. Central banks were able to refrain from intervening in support of the weaker members, in view of the lack of volume.



The Belgian franc ended the week and year in much the same way as it started, remaining the weakest currency.

Should last week's weaker dollar trend continue, a re-emergence of the traditionally strong members, such as the D-Mark, may exert excessive pressure on the weaker members and encourage speculation about possible realignment of currencies in the system.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● HUGE U.S. budget deficits are increasingly distorting the pattern of world economic development says UK Chancellor of the Exchequer Nigel Lawson in a new year interview with the FT. Page 4

● WEST GERMAN Bundesbank's former president Dr Otmar Emminger says a strong attack on "excessive" public spending in the industrialised world is essential to sustained economic recovery. Page 2

● UK ECONOMY will grow by between 2 and 3 per cent, according to five separate analyses. World economic forecasts, Page 9.

● EAST GERMAN economy grew by 4.3 per cent in 1983, against a target of 4.2 per cent.

● SOVIET UNION introduced wage payments linked to productivity, from yesterday.

● ICI of Britain is planning its first manufacturing plant in Saudi Arabia, for polyurethane products, in a venture with a Saudi group.

● CREDITORS of ERT (Unión Explosivos Rio Tinto), the Spanish chemicals group that stopped repayments on debts of more than $1bn due more than a year ago, will today receive details of its rescheduling proposals. Page 14

Nigerian regime faces early test over trade debts

BY WILLIAM HALL IN NEW YORK

The credibility of the new Nigerian military regime faces an important test today when the first repayments are due on $2bn of bank loans rearranged last year to refinance part of the country's trade debts.

Bankers have become increasingly concerned in recent months at the country's delay in solving its foreign debt problems, and believe that prompt repayment of the more than $50m due today will strengthen Nigeria's position in the international financial community.

Two important refinancing deals are involved in today's repayments: one for some $1.6bn, involving 26 banks, which was agreed in July, and a second deal of nearly $500m, which involved more than 40 banks.

The two deals cover Nigeria's arrears of trade payments owing on letters of credit, while negotiations have recently begun with supplier companies on some $3bn to $5bn still outstanding on open account trade.

Bankers in New York said yesterday that they had no idea if the loan repayment would go ahead on schedule. "We were certainly expecting the payment to be made on time. We believe they have the resources," said one banker involved with Nigeria.

He noted that if the payment did not go through on time, it would probably be because of temporary disruption in Lagos. However, he said that if the delay was anything but temporary, "it would be serious for everyone."

Although the sums of money involved in the first repayment of the commercial bank refinancing are not large, payment on time would be an important gesture to the international banking community, which has become increasingly frustrated by the delays surrounding the solution to the country's trade arrears. The three-year refinancing, arranged by Barclays Bank International and Bankers Trust last summer, covered about $1.6bn in arrears on confirmed letters of credit. Under the refinancing, principal repayments were delayed until January 1984.

Bankers appeared cautiously optimistic about the new regime, although they emphasised that they knew little about the people involved.

Before the coup, there was growing concern among U.S. bankers that Nigeria was slipping backwards in its efforts to solve the problem of arrears on its trade debts. One thought yesterday that most international banks would react positively to the coup since a military regime might be thought better able to put Nigeria's economy in order. He noted that Nigeria had had successful military regimes in the past. However another warned that a military takeover might lead to violence. "That would certainly affect the creditworthiness of the country," he said.

International bankers are watching to see if Nigeria will continue its negotiations with the International Monetary Fund and the World Bank.

Implications of the coup, Page 2; Editorial comment, Page 10

Buhari names his first ministers

By Michael Holman in London

MAJOR-GENERAL Mohammed Buhari, Nigeria's new military leader, yesterday announced the first members of his government, which he has promised would be dedicated to eradicating corruption and solving the immediate economic problems of the country.

The newly appointed military council is due to meet in Lagos today for the first time since the army seized power early on Saturday.

For the fourth time since independence in 1960, Nigeria, Africa's most populous state and the continent's leading oil exporter, is under a military administration, ending four years of civilian rule.

Early indications, however, suggest that the new regime will embark on a cautious, pragmatic policy. Maj-Gen Buhari has warned Nigerians against too high expectations, condemning corruption, promising "prudent management of Nigeria'a existing financial resources" and pledging to do his best to settle "genuine payments to which the government is committed" – an apparent reference to arrears in trade payments which exceed $5bn.

A dusk-to-dawn curfew has been imposed throughout the country, all borders and airports are closed, and telephone and telex communications cut with the outside world. The primary source of news is Radio Nigeria, the first target of the soldiers when they seized power.

However, Reuters news agency filed a despatch from Lagos, reporting that life in the capital was returning to normal, with shop and offices reopened outside curfew hours.

There has been no news about the welfare of the ousted President Shehu Shagari, who is thought to have been arrested over the weekend in Abuja, the new federal capital still being built in central Nigeria. Unconfirmed reports say that fighting broke out between the presidential guard and arresting officers.

In a statement broadcast by Lagos radio yesterday, Maj-Gen Buhari was named chairman of the council, commander in chief of the armed forces, and head of the federal military government.

Other members include senior army officers, among them the chief of staff, Brigadier Sintla Iako, Maj-Gen Bali, Minister of Defence, Maj-Gen Ibrahim Babangida, chief of army staff, and the heads of the navy and air force. The head of the civil service, G.A.E. Longe, has

Continued on Page 12

Israeli budget crisis sparks new strikes

BY DAVID LENNON IN TEL AVIV

ISRAEL'S economic problems continued to worsen yesterday as strikes spread throughout the civil service, the trade unions rejected an incomes policy, and Cabinet ministers squabbled over the details of planned budget cuts.

Government services are being progessively crippled by strikes by civil servants protesting against the austerity programme, which the Government is trying to implement to deal with the economic crisis.

Staff at six government ministries have imposed sanctions in demands for wage increases. Employees at the Foreign Ministry yesterday joined colleagues at interior, welfare, defence and other ministries who are protesting the 25 per cent erosion of their wages in the past three months because of roaring inflation.

A suggestion in the Cabinᵉᵗ on Sunday that the Finance Minister attempt to reach agreement with the trade union federation and the industrialists on a package deal covering wages, prices and taxes, was rejected by the unions.

A spokesman for the Histadrut, the union federation, said that in the past three months the Government had broken wage agreements by its austerity measures. "We cannot make a deal with a government intent on cutting wages" he said. At the same time, the officials did not close the door on negotiations for ad-hoc agreements.

Not only the civil servants and the Histadrut but also many ministers, are at loggerheads with the finance minister over his economic policy, which will require cuts in many ministry budgets.

The Cabinet on Sunday approved a framework budget of Sh 1,443bn ($20bn) for the coming fiscal year. This is about the same level as the current year but because of increased debt servicing, will effectively mean a $600m cut in budget allocations to the ministries.

Mr Yigal Cohen-Orgad, the Finance Minister, had wanted to trim $1bn from the ministries' budget, but had to back down on some of his demands when ministers threatened to quit the Cabinet and bring down the coalition.

Most notable among the compromises was the decision to drop the proposal to halt Jewish settlements on the occupied West Bank. This came after Mr Yitzhak Shamir, the Prime Minister, told the right-wing Tehiya party that he would also quit if settlement was halted.

The threatened coalition crisis,

Continued on Page 12

Union threat as Poissy car plant set to reopen

BY PAUL BETTS IN PARIS

PEUGEOT, the troubled French private motor group, will try to resume car production at its strife-torn Talbot plant at Poissy today despite warnings from the trade unions that they will continue to oppose Peugeot's plans and to disrupt work at Poissy.

The decision to resume production at the plant after a 30-day stoppage follows the intervention of the French Government during the new year holiday weekend.

The Socialist administration ordered the riot police to evict some 100 workers occupying the plant in protest against the company's redundancy proposals for its French Talbot car division.

The affair is regarded as a test case of the left-wing Government's attitude to industrial restructuring in weak economic sectors this year and of its broad economic policies.

The trades unions have mounted a big campaign against the Government's increasingly tough approach to restructuring in French industry, to try to force the administration to reconsider what is undoubtedly a hard-line industrial policy for a Socialist Government.

But President François Mitterrand in his new year message renewed his Government's commitment to fight inflation and modernise French industry as the country's economic priorities. He also called for "a social policy of solidarity and inspired dialogue," adding that the Government intended to reduce taxes and fiscal charges to help revive economic activity only in 1985.

The Government's stance has given Peugeot an important boost in its attempts to reduce the French workforce of its Talbot and Peugeot car divisions by about 7,500 people.

After complex negotiations with the Government, Peugeot had agreed on December 17 to reduce to 1,900 from 2,900 the redundancies at its Poissy plant. This had always been the most controversial and delicate part of the Peugeot proposed job cuts.

But the trades unions opposed the Government's agreement with Peugeot. However, the events of the New Year holiday weekend reflected the Government's decision not to give in to the pressure of the unions and to honour its commitments to the Peugeot group.

In a clear effort to appease the unions, M Pierre Mauroy, the Prime Minister, said he would hold talks with the unions and the French motor industry to discuss its future and the problems of lay-offs and modernisation.

He also said the Government planned to increase the financial incentives to immigrant car workers planning to return to their North African homelands. A number of such workers at Poissy have said they would be prepared to return to North Africa if the repatriation allowance were sufficiently high.

The unions, especially the pro-Socialist CFDT, have already termed M Mauroy's proposals inadequate and warned they planned to continue opposing the Peugeot plans and disrupt Poissy.

However, the big Talbot plant, which employs about 17,000 workers, was quiet yesterday as maintenance staff continued to prepare the facility for today's reopening. Police, however, were present on the site and the front gates were locked.

Peugeot had announced it would lock out all its Talbot workers at Poissy and stop paying their wages unless it could resume production

U.S. industry 'heads for wider recovery'

BY STEWART FLEMING IN WASHINGTON

THE REAGAN Administration is expecting a further sharp recovery in the output of key industries such as steel and cars in 1984 as the U.S. economy continues to expand.

But it gives a warning that some sectors – it mentioned in particular the hard-hit machine tool industry – are facing another difficult year while the strength of the dollar is likely to add to competitive pressures facing the computer and advanced electronics industries at home and in export markets.

Releasing the Commerce Department's forecast for 194 individual sectors of the U.S. economy for 1984, Mr Clarence Brown, the deputy secretary, said economic growth for the year was expected to level off to a real increase of 4.5 per cent between the fourth quarter of 1983 and the final three months of 1984.

That compares with an estimated 6.1 per cent gain over the same period between 1982 and 1983.

But the economic expansion will broaden out from the consumer-led recovery in 1983, he said. The Commerce Department is expecting, for example, that the steel industry will see a rise in production of around 20 per cent to some 80m short tonnes.

Airline traffic is forecast to rise by around 10 per cent, with the airline's revenue expected to increase 5 per cent to an estimated $41bn.

Domestic car production will increase by around 11 per cent, the department predicts.

In spite of the optimistic assessments for production in the steel industry, companies have made clear that they remain deeply concerned about the prospects for profits, partly because of the continuing pressure from foreign imports.

U.S. economic forecast, Page 10

Pressure on Reagan mounts to withdraw Lebanon troops

BY STEWART FLEMING IN WASHINGTON

PRESSURE on President Ronald Reagan to withdraw U.S. troops from the Lebanon peacekeeping force seems certain to grow after the firm call by Mr Walter Mondale, the leading contender for the Democratic Party's presidential nomination, for a withdrawal.

The President has already come under strong pressure to bring the marines home because of the publication last week of a study by a Defence Department commission which questioned the thrust of U.S. policy.

In the past few days, three former directors of the Central Intelligence Agency (CIA) have called for the withdrawal of U.S. servicemen. In Congress, too, there has been growing unease.

Senator John Tower, an influential Republican who is chairman of the Armed Services Committee, and who has been a resolute supporter of the Reagan Administration on military issues, was due to leave for the Middle East today to assess U.S. policy. The Democratic congressional group that monitors the Lebanon is meeting amid expectations that it could urge an early withdrawal of U.S. troops.

For Mr Mondale, the denunciation represents a bold shift in his campaign strategy and underlines the growing disaffection with the U.S. marine presence in Lebanon.

It is seen to underline how badly the Administration has been wounded by the Defence Department report on the Beirut bomb attack which killed nearly 250 marines last October.

Normally a front runner such as Mr Mondale would avoid taking what might be seen as "risky" initiatives so early in the campaign, particularly in the foreign policy field where a critic of Administration policy is always vulnerable to the charge of putting political self-interest ahead of the interests of the country.

Mr Mondale's move, however, reflects a growing feeling among Democrats that they can make the Administration's policy a major battleground in the forthcoming election.

● In Southern Lebanon, Israel reopened the bridges across the Awali river after a three-day closure which effectively cut the Israeli occupied part of the country from the rest of Lebanon, **David Lennon writes from Tel Aviv.** This followed a series of guerrilla attacks on Israeli forces.

Because of the recent spate of attacks on Israeli soldiers, the military command in Tel Aviv is considering the advisability of withdrawing its troops and establishing a new front line.

CONTENTS

NIGERIAN COUP

Quentin Peel, Africa Editor, looks at the background to the return to military rule after four years of democratic leadership

Soldiers rebel against economic and political failings

THE RETURN of armed soldiers to the streets of Lagos in the early hours of Saturday morning signalled the collapse of multi-party democracy in Africa's most populous state.

Nigeria's second attempt at democratic rule since independence in 1960 was brought to an end after little more than four years by the bloodless coup of New Year's Eve.

On the face of it, the takeover could scarcely have been less predictable: it came only four months after President Shehu Shagari had won a landslide victory in national elections, and just two days after he had presented his 1984 budget to the National Assembly, calling for renewed sacrifices and greater financial discipline to cope with the country's severe economic crisis.

Yet behind the apparently successful conclusion of the marathon five-week election process last August and September lay growing economic and political strains which have finally persuaded the military to take back the power which was handed to the civilians in 1979.

In his first broadcast to the nation, Maj Gen Mohammed Buhari, the new head of state, cited three accusations as the basis of that decision. He charged that the Shagari Administration had mismanaged the economy; that it had failed to curb corruption; and that it had been returned to power in an election marked by widespread ballot-rigging and fraud.

To some extent, there is justice in each of those charges. On the other hand, there was evidence since the elections that President Shagari was determined to make a greater effort to tackle at least the first two issues, even if it was too late to deal with the third. In particular, he had appointed a team of advisers including several widely respected both for their probity and for their ability.

Yet the overriding problem for any government in Nigeria has been beyond its control: the international oil glut, which over the past three years has caused a slump in the country's exports of crude, down from a peak of 2.4m barrels a day (b/d) to just under 1.3m b/d now.

With the country overwhelmingly dependent on that single commodity — it traditionally accounts for more than 95 per cent of export earnings, and more than 80 per cent of government revenues—the effect of the slump has been catastrophic. Moreover, the other consequence of Nigeria's oil economy in the past decade had been every-increasing dependence on imports, not only of finished products, but of food and industrial raw materials.

President Shagari embarked on a programme of austerity measures in April 1982 in an effort to reduce the soaring deficit on the current account of the balance of payments, stem the resulting drain on foreign exchange reserves, and reduce the Government's own huge budget deficit. His measures were both late — the reserves had already slumped from more than N6bn (£5.5bn) to less than N1bn (£917m) — and inadequate to redress the balance.

None the less, the effect, combined with further drastic import restrictions introduced exactly one year ago, has been to slow down economic activity, create widespread shortages of many basic goods, and aggravate an already high inflation rate.

In recent months the prices of many staple foods have increased at an alarming rate, in some cases doubling or even tripling. An emergency taskforce was established in the run-up to the elections to import goods such as rice and wheat to overcome the shortages.

In addition, the desperate state of public finances has caused the huge construction industry to grind almost to a halt as project payments have dried up. The 19 state governments, in particular, have often gone several months without paying their employees.

Perhaps the most remarkable thing is that the effects of the austerity did not start to bite more quickly. That is probably a result of the huge inventories carried by most companies and traders in an economy already plagued by grave bottlenecks and severe constraints on transport and other infrastructure. But by the middle of the past year there was no section of the economy not under severe constraint.

When President Shagari delivered his annual budget last Thursday, he made no secret of the need for yet further austerity measures to balance the budget. He spoke of the national finances being in a critical state, and called for "sacrifice from all" to recover from the "universal economic recession."

The implications of his budget were certainly drastic: further cuts in government capital spending of 29 per cent (down from N6.6bn to N4.7bn): a need to cut visible imports from N8.5bn in 1983 to only N5bn in 1984; and a requirement for government revenues to increase (without any increase in oil production) from N8.6bn to N10.9bn, while cutting subsidies of the public corporations.

Yet what the budget failed to do, as the Shagari Administration had so often failed, was to spell out the necessary economic and fiscal medicine needed to accomplish those targets.

The President made no mention of where the capital spending cuts would be made, although he had promised a thorough review of the whole development plan back in May, 1982. No measures were announced to cut the import bill by a further 40 per cent (although administrative measures must have been due out any day).

As for the huge increases required in government revenues, some modest tax changes were in the pipeline, but officials expressed the hope that most of the extra amount would come from "more efficient tax collection."

President Shagari also stopped short of announcing the obvious result of his cuts in government subsidies: an increase in the price of petrol and many other state-controlled commodities. Again, a senior official expressed the hope that at least part of the inevitable petrol price increase might not be necessary, if Nigerians could be persuaded to conserve fuel voluntarily.

The other measure the President did not touch on was devaluation of the naira—a key demand of the International Monetary Fund in exchange for an expected $2bn, three-year loan, but one which the civilian government was determined to resist as politically suicidal.

"President Shagari's problem was that he was aware of the economic measures necessary to deal with the situation, but he was always constrained by excessive political caution," according to one Nigerian official.

On the issue of corruption, President Shagari had announced the creation of a Ministry of National Guidance, which was greeted with considerable scepticism by Nigerians. While its task would be to campaign against corruption, the new Ministry was not going to be given any special investigatory powers to deal with it.

The appointment as head of the Ministry of Alhaji Yussuff Maitalma Sule, former ambassador to the United Nations, and a leading figure in the ruling National Party of Nigeria (NPN) had caused some people to see the Ministry more seriously, although still in a largely propagandist role.

The existence of widespread corruption within government was not denied, and the President—who is regarded as an honest man—preached against it frequently. When he failed to reappoint rather more than three-quarters of the Ministers in his first administration, he was thought to be doing something about it.

However, the use of patronage in the government and the ruling party had become very deep-rooted, and a number of the President's closest associates are regarded with suspicion—albeit sometimes for taking money on behalf of the NPN rather than for their own personal gain.

It is that inter-relationship between corruption and political power which perhaps motivated the latest coup more than any other factor.

"We have made politics pay too well and too quickly," according to a leading Nigerian academic in a recent lecture. "The result is that those who are in office are reluctant to leave; they sit tight, even at the price of mortgaging their consciences. Those who aspire to political offices envy those who are in the saddle, and resort to violence and all manner of corrupt practices in order to gain their ambition."

The new military government now faces the same formidable economic challenge that President Shagari was attempting to deal with in his latest budget—but without the benefit of four years' experience.

The immediate question is whether to implement the budget, along with the price and tax increases and import controls that must go with it.

The second urgent matter is whether to press ahead in the talks with the IMF, which began last April, and have been delayed both by the Fund's own cash crisis, and Nigeria's unwillingness to devalue. A further round of talks is scheduled for the week of January 16 in Washington.

The new administration must also decide how it plans to deal with the huge backlog of short-term trade payments — estimated most recently in the budget at N5bn ($6.65bn) — which has accumulated over the past two years. The Shagari Government had proposed a refinancing scheme to Britain's Export Credits Guarantee Department, for a jumbo bank loan repayable over six years, guaranteed by the department, to pay off the insured debt. Uninsured debt would be repaid with six-year promissory notes.

General Buhari has already announced his intention to remain within Opec, although Nigeria is under great pressure to increase its oil production beyond the 1.3m b/d Opec-approved quota.

The fundamental problem for the country remains: it needs major structural readjustment to reduce its dependence on oil income, boost other export earnings, particularly from agriculture, and reduce its reliance on imports. All this has to be accomplished with greatly-reduced oil income and also when drought has severely cut food production in many parts of the country.

What the popular reaction to the new government will be is less certain. Previous military governments proved themselves little less corrupt than the civilians and Nigerians are now profoundly cynical about anyone who seeks power in their country.

Many of those currently stranded outside the country seem to be both disappointed, possibly angry, but more frustrated at the events. Opponents of the NPN are more enthusiastic.

"We cannot stand the military but they can hardly be worse that the NPN," said one.

TOUGH IMF TALKS AHEAD

NIGERIA'S FINANCE Minister and a team of officials were due to travel to Washington on January 14 for advanced negotiations on an extended three-year loan of more than $2bn (£1.3bn), Quentin Peel writes.

Trade payments

The same team was then to travel to London for talks with Mr Nigel Lawson, the British Chancellor of the Exchequer, on proposals to refinance the country's backlog of trade payments owing to British suppliers.

But the Minister, Mr Mallam Adamu Ciroma, has resigned and it is not yet clear whether the mission will take place.

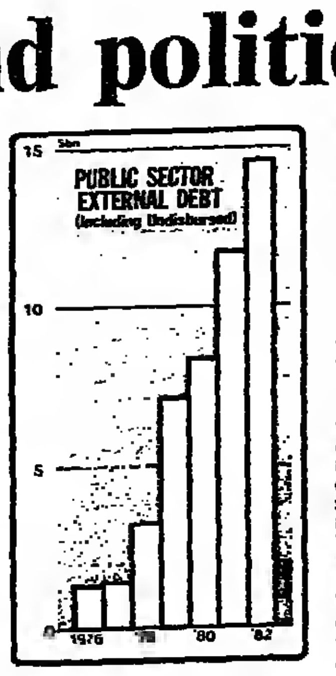
The IMF loan is the most pressing matter for the new military government to tackle, including a decision on whether to devalue the naira, as the Fund is demanding.

The hope of the Shagari Government was that measures announced with the budget, to cut government spending, and further restrict imports while raising interest rates, would go a long way to meeting the Fund's expectations.

Talks with the IMF began in April last year, but slow progress has been made because of the lack of adequate statistics on key economic sectors. The Nigerian Government's opposition to devaluation, and the Fund's own cash crisis coinciding with its annual meeting and since resolved.

Large deficit

The loan is needed to tide the country over a continuing large deficit on the balance of payments current account — estimated at some N2.9bn (£2.66bn) in 1983. International banks, and export credit agencies like Britain's Export Credits Guarantee Department, insist that an IMF programme be agreed to enable any refinancing of the estimated $3bn to $5bn backlog in trade payments to go ahead.



Nigeria to remain Opec member

BY MICHAEL HOLMAN

GEN MOHAMMED BUHARI, Nigeria's new head of state, has committed the country to continuing membership of the Organisation of Petroleum Exporting Countries (Opec).

The first major policy decision of the new regime, announced in the military leader's opening address to the nation, is likely to have been greeted with relief by fellow Opec members.

It means that in the short term at least, the cartel's weakest members will not break ranks and precipitate a free for all in the oil market.

Given his past experience in the oil industry, the general's statement carries especial weight. As a former chairman of the state-owned Nigerian National Petroleum Corporation (NNPC) under an earlier military regime, he played a key role in the sector which accounts for over 95 per cent of Nigeria's foreign exchange earnings.

He won a reputation at the time as a realist, who recommended a price reduction in response to the state of the market, and adopted long term sales and pricing agreements with the oil companies operating in Nigeria.

Heading the National Electric Power Authority at the time was the man who had conducted oil policy under the toppled Shagari Administration—Mallam Yahaya Dikko.

The two men got on well, according to one official last night, and Mallam Dikko may well retain his energy role, thanks to his reputation as an austere non-partisan civil servant with considerable expertise.

Nigeria's potential impact on world markets was illustrated early last year, in a crisis which threatened Opec's future. It began in mid-February when the British National Oil Corporation (BNOC), whose North Sea oil is comparable to Nigeria's Bonny Light, cut its price by $3 a barrel to $30.50.

Nigeria was forced into unilateral action. On February 19 it reduced the price of Bonny Light by $5.50, bringing it down to $30.

At the emergency Opec meeting in London that followed, Nigeria refused to back down. Participants finally reached agreement on a new marked price, retaining the overall ceiling on Opec production set in 1982 of 17.5m b/d, of which Nigeria's quota was 1.3m b/d.

But the debate in Nigeria over Opec has continued, with senior members of all parties raising questions about the merits of continued membership. They argue that the production and pricing constraints imposed by Opec are imposing strains on an economy severely weakened by three years of turmoil.

As the international oil glut has taken its toll of producers around the world, Africa's oil giant has had to cope with wide fluctuations in both demand for its product and the price obtained.

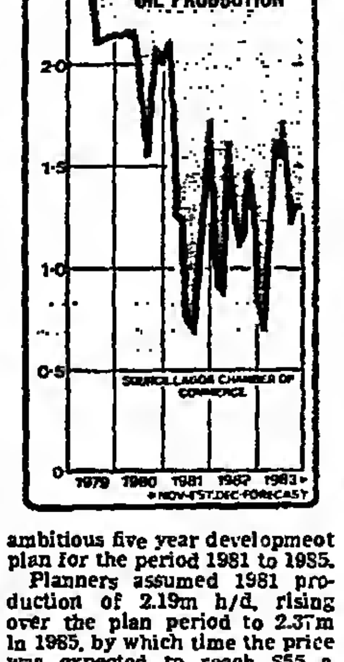
Production is running today at slightly under 1.3m b/d, little more than half the 2.4m b/d peak of four years ago, while the price has fallen from $40 to $30.

Dependence on oil makes for a planner's nightmare, and has resulted in a traumatic series of austerity measures culminating in last month's tough budget introduced by the toppled civilian administration.

Anticipated earnings from oil underpinned Nigeria's ambitious five year development plan for the period 1981 to 1985.

Planners assumed 1981 production of 2.19m b/d, rising over the plan period to 2.37m in 1985, by which time the price was expected to reach $55 a barrel.

The shortfall in production and price, caused by the world oil glut, saw earnings plummet from around $22bn (£14.5bn) in 1980 to under $10bn last year.



Trade partners respond warily

BY WILLIAM COCHRANE

THE INTERNATIONAL business community—hampered by the New Year holiday in the U.S. and Europe and by the fact that telephone and telex lines were out of action in Nigeria itself — responded warily to the weekend coup.

Nigeria's financial advisers—merchant bankers S.G. Warburg in London, Kuhn Loeb in New York and Lazard Freres in Paris—had been in talks aimed at refinancing the country's estimated $4bn to $5bn of short term trade debt.

In London Mr Herman Van der Wyck, one of Warburg's four managing directors saw some encouragement in the coup leaders' statement that they would honour what they call "genuine debt obligations."

"It would be too hasty to speculate whether the coup will bring an improvement or otherwise, in the debt refinancing prospects," he said. "We do not know who the players are going to be but we hope that there will be continuity in solving these problems."

Britain's Export Credits Guarantee Department said that unless there are unexpected developments, the coup should not be an obstacle to the refinancing talks. Bankers involved are reported as saying that it is possible that the military government will feel less constrained by domestic politics, and could move ahead more quickly on the economic reforms which the International Monetary Fund is urging and which have been needed for some time.

Warburg emphasised yesterday that the bankers' brief was international, involving companies in, for example, West Germany, Japan, Italy and the Netherlands as well as in France, the UK and the U.S.

The UK list includes international trading names such as Unilever, Paterson Zochonis and Lonrho, major oil companies such as Shell, GEC and Racal in communications, Taylor Woodrow, Blue Circle and Costain in construction, as well as ICI, Berger Paints Dunlop and British Caledonian.

Unilever, involved through its United Africa Company subsidiary, through Lever Brothers and in brewing interests, acknowledged that it was "a major investor with a critical interest in the satisfactory outcome of rescheduling." On the coup, it would wait and see.

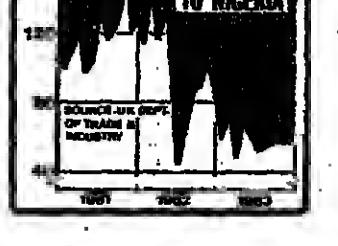
Paterson Zochonis said that it was heavily committed. Over 50 per cent of its turnover (upwards of £300m) comes from Nigeria where it is mainly a manufacturer of soaps and detergents, pharmaceutics and toiletries as well as refrigerators.

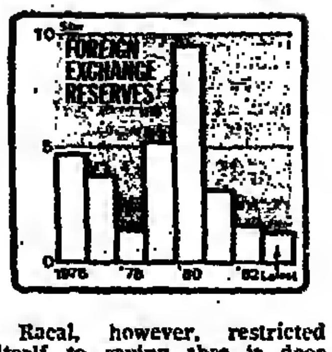
From France, Bouygues, the major French construction company, said that it had been involved in Nigeria for about eight years, could not communicate with any of its sites and found that some of its people on holiday in Africa could not get out of the country.

Bouygues' major involvement is in 40 per cent of a Frs 4.5bn (£372m) power plant contract with Japanese electrical giants Hitachi and Marubeni near Lagos.

One company which has been in touch with Nigeria since the coup is Racal Electronics. "After all, we are a radio company," said Ken Ward, Racal director, yesterday.

Racal, however, restricted itself to saying that it does regular business with Nigeria and expects this to continue. Supplying radio communications systems for defence purposes, it thinks that Nigerian defence requirements will probably now be seen as even more important than they were before.





OVERSEAS NEWS

Friderichs probed on 'lost' Flick documents

By James Buchan in Bonn

DR HANS FRIDERICHS, chief executive of the Dresdner Bank and former Bonn economics minister, is under judicial investigation for possible obstruction of justice in shredding documents that could have related to the Flick affair.

Dr Friderichs, who faces court proceedings on charges of taking bribes from Friedrich Flick Industrieverwaltung in 1975-77 while he was minister, is suspected of destroying records of cash contributions to his local Free Democrat (FDP) party that might have been relevant to the case.

Herr Hermann Hillebrandt, public prosecutor in the town of Bad Kreuznach in the Palatinate, said yesterday that he had launched the investigation at the beginning of December after contact with the public prosecutor in Bonn, who last month indicted Dr Friderichs, and his successor as minister, Count Otto Lamsdorff, also FDP, for taking bribes from Flick.

The Bonn district court will decide this spring whether to open proceedings against the two men on suspicion that party contributions from Flick of over DM 500,000 ($184,000) influenced the Ministry's grant of tax exemptions worth DM 450m to the concern. The Ministry revoked the tax exemptions last week, on the grounds that Flick had not fulfilled the conditions.

Soviet reforms promote initiative

BY ANTHONY ROBINSON

THE SOVIET UNION ushered in the New Year with the introduction of limited economic reforms. Announced by President Yuri Andropov last July, the reforms introduce greater managerial initiative and a payment-by-results system into two key military-industrial ministries nationwide and three regional food and consumer goods ministries.

The two Moscow-based ministries affected are the Ministry of Heavy and Transport Machinery and the Ministry of the Electrical Equipment Industry. Between them, they produce a wide range of military equipment from battle tanks to micro-chip laser weapons as well as heavy industrial plant, power generating equipment, sophisticated machine tools and electronic equipment.

Managers will be expected to introduce new technology, encourage higher labour productivity and make energy and raw material economies. The fruits of higher productivity will be passed on in bonuses

Singapore expects strong growth

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE can expect to repeat in 1984 the unexpectedly high 7.2 per cent economic growth rate which made it one of Asia's fastest expanding economies last year, Mr Lee Kuan Yew, the Prime Minister, said over the weekend.

Performance this year would depend on the industrial countries continuing their recovery and containment of the world debt crisis, he said in a New Year message. But he warned that protectionist trends would not end with recovery in the industrial countries because unemployment was expected to remain high.

Singapore's 1983 growth rate of 7.2 per cent was far higher than the most optimistic forecast of 4 per cent which Mr Lee gave this time last year. Only South Korea appears to have bettered Singapore's growth, with 8 per cent.

Slim chance of accord in Spanish wage talks

BY DAVID WHITE IN MADRID

REPRESENTATIVES of Spanish employers and the two main trade union bodies are due to meet today at the start of a crucial round of negotiations on a framework national wage pact for the year.

Prospects for an agreement signed by all three parties appear at the outset to be extremely slim.

The Socialist Government is following the same policy as last year by staying out of the negotiations, but has set a target ceiling of 6.5 per cent for the public sector and has recommended that the private sector use this as a yardstick.

This compares with a basic range agreed for wage increases in 1983 of 9.5-12.5 per cent.

The CEOE employers' federation has indicated it will not go beyond the 6.5 per cent level while the unions are pressing separately for higher figures.

The socialist UGT union is asking for a basic rise in line with the Government's inflation objective of 8 per cent.

U.S. to reopen full relations with Vatican

By Alan Friedman in Rome

THE U.S. is expected shortly to reopen full diplomatic ties with the Vatican. Mr William A. Wilson, President Ronald Reagan's "personal representative" to the Holy See, is likely to be named as the first U.S. ambassador to the Vatican.

Since 1939, the U.S. has used only the informal formula of having a special representative.

The announcement of the reopening of full diplomatic relations is expected within the next fortnight.

Dr Olmar Emminger

Public spending cuts essential for recovery

By Our Economics Staff

DR OTMAR Emminger, the former president of the West German Bundesbank, has called for a major attack on "excessive" public spending in the industrialised world as essential to sustained economic recovery.

Writing in the latest issue of Lloyds Bank Review, published today, Dr Emminger says that soaring public spending, particularly on the welfare state, has siphoned off investment from the private sector and cut significantly the number of jobs in the economy.

From 1960 to 1980 the share of the public sector increased from 29 to 42 per cent of GNP in the industrialised world.

The trend has damaged the private sector by pushing up taxes and social security payments, while at the same time raising interest rates and crowding out investment.

Mauroy attacks Giscard's role in 'oil sniffer aircraft' affair

BY PAUL BETTS IN PARIS

M PIERRE MAUROY, the French Prime Minister, yesterday launched a major attack against the previous administration of President Valery Giscard d'Estaing and former Prime Minister Raymond Barre over their role in the controversial "oil sniffer aircraft" affair.

M Mauroy also released the confidential report ordered by previous administration into the affair to "let the country judge for itself." The Prime Minister said an investigation would be made on the FFr 500m (£41.6m) the state oil company Elf-Aquitaine spent in testing the unsuccessful oil detection system using electronic equipment installed in aircraft.

The airborne tests were conducted by the oil group between 1978 and 1979 and had initially been actively supported by President Giscard d'Estaing.

M Mauroy yesterday accused the former President and M Barre of trying to cover up "serious accounting irregularities."

He criticised M Bernard Beck, the former president of the Cour des Comptes, the government's accounting watchdog body, for destroying copies of the confidential report.

M Mauroy said the current heads of the Elf oil group, which has been profoundly embarrassed by the affair, would have to decide on what action to take at an individual level at the company. The Prime Minister indicated he would write the company a letter on those lines.

M Giscard d'Estaing denied any impropriety in the affair in an unusual television interview and in turn accused the Left of a campaign of slander against him. M Barre has made similar denials and attacked the political character of the whole matter.

French riot police to patrol on trains after bomb blasts

BY OUR PARIS STAFF

FRENCH riot police are to patrol and travel on France's high speed trains to provide additional protection and security for passengers.

The decision was announced by the French Interior Ministry yesterday after the two bomb attacks in a French high-speed train and in Marseilles railway station that killed four people and injured more than 50 during New Year's Eve.

The ministry said 170 members of France's CRS police force would initially be assigned to provide security on high speed trains. Patrols could eventually spread to other major train services in France.

The French authorities were yesterday still attempting to identify the terrorist group behind the two bomb attacks.

Numerous groups, including a disbanded French right-wing extremist organisation called "Occident" and various Moslem groups, have claimed responsibility for the two bombs. But the police have so far been unable to verify these claims and suspects they are largely bogus.

One of the groups was an extremist Shi'te Moslem organisation which calls itself the Islamic Jihad.

Angolan death toll rises

WINDHOEK — Five South African soldiers were killed at the weekend in Angola during a continuing offensive against black nationalist Namibian guerrillas, defence headquarters said yesterday.

A total of 14 South African soldiers — nine whites and five blacks — have died in the cross-border offensive which began three weeks ago.
Reuter

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OVERSEAS NEWS

Belgian bank calls for measures to boost profit growth

BY PAUL CHEESERIGHT IN BRUSSELS

THE BELGIAN Government's incomes policy is wholly insufficient either to speed up the restructuring of the economy through higher investment or to achieve an increase in employment, according to Kredietbank, one of the country's major banks.

"The competitiveness of the economy has not yet been restored and if competitive capacity is to be secured then profitability in industry has to increase more steeply. This is the inevitable price for years of distortion," the bank concluded.

These observations, published in the bank's latest regular bulletin, cut across government thinking that there has been a substantial improvement in Belgium's position relative to that of its trading partners.

The Government, which before Christmas announced plans to stimulate investment and create new jobs, is prepared to seek an extension of its special powers to ensure that wage rates until 1986 do not rise more quickly than in Belgium's seven most important trading partners.

But, Kredietbank argues, "incomes policy which attunes the evolution of wage costs to the trend among the seven major trading countries falls back into the old evil by being based too one-sidedly on the relative unit labour cost; an only partial indicator of competitiveness."

Unit labour costs in Belgium have improved and last year the economy returned to the relative level of 1970, but Kredietbank considers this is entirely due to productivity rather than the trend in wage costs.

On the face of it, productivity increased 2 per cent faster than the annual average in neighbouring countries, but this can be explained by the disappearance of companies and the failure of new producing units to emerge rather than productivity increases in the average business.

Even on the limited criteria used by the Government to assess competitiveness, however, there are increasing fears that Belgium could lose what it has gained over the last two years.

Belgian wage levels rose in 1983 by 5.2 per cent compared with 10.5 per cent among the seven largest trading partners.

But this year the relative position could change as Belgian wage costs go up 8.1 per cent and those of the major trading partners go up 5.5 per cent.

The Government, however, has reached the same conclusion as Kredietbank, that unit labour costs are not the only way of measuring competitiveness. It has asked the Conseil Central de l'Economie to extend its study of the norms of competitivity.

For Kredietbank, profitability as the ratio between costs and prices is a better indicator – "the profitability of industry can be measured by the share of wage costs in the value added."

Ship orders increased by 64% in 1983

By Andrew Fisher, Shipping Correspondent

THE VOLUME of new orders placed in world shipyards jumped by 64 per cent last year, with Japanese and South Korean shipbuilders gaining most of the business, Lev Sychrava Associates, a London-based research company, said in a review of the 1983 market.

New orders rose to 28.3m deadweight tons from 17.2m dwt in 1982, still lower than the 1981 level of 28.7m dwt. In spite of the slump in both the shipping and shipbuilding sectors, some shipowners ordered heavily in 1983 to take advantage of low Far Eastern prices.

The figures will confirm fears in Europe that many yards there will continue to suffer low order books in the face of the renewed Far Eastern drive for business. New orders at Japanese yards rose by 133 per cent to 17.8m dwt, with those in Korea up by 163 per cent to 5.5m dwt.

"Japan and Korea succeeded in filling their order books at the outset of a bleak shipbuilding recession," Lev Sychrava Associates said. The company also prepares regular shipping reviews for Lambert Brothers Shipping, a leading London-based shipbroker.

New orders obtained by EEC yards fell by 33 per cent to 1.6m dwt. "The shipbuilding industry of the EEC as a whole is now very peripheral to the international market," added Lev Sychrava.

But further cuts in European shipbuilding capacity are seen as inevitable. As well as Japan and Korea, other countries also showed sizeable gains in new orders in 1983, notably Brazil (up 57 per cent to 0.7m dwt) and China (up 29 per cent to 0.5m dwt).

Most of last year's new orders were for bulk carriers, which jumped to 18m dwt from 7.7m dwt. Back in 1981, however, orders for this type of ship totalled 19.3m dwt. Next in popularity, but far behind, were tankers, orders for which increased to 4.8m dwt in 1983 from 3.2m dwt.

Lev Sychrava also reported a more active second hand market in ships last year, though falling prices affected turnover. The number of sales rose to 991 from 907, with a slightly higher tonnage of 36.8m dwt. But turnover was down to $3.7bn from $4.3bn in 1982.

With the average price per ship sold down by 23 per cent to $3.7m, "shipbrokers' commissions and earnings were badly affected," commented Lev Sychrava.

Jakarta changes taxes in hope of boosting revenue

BY KIERAN COOKE IN JAKARTA

NEW TAX laws, part of a package of measures designed to raise more revenue, come into force in Indonesia on January 1.

The new legislation affects three areas of taxation: personal tax, corporate tax and value added tax.

Personal income tax is to be reduced from a maximum of 50 per cent to 35 per cent, while the amount of individual annual income exempt from tax will be almost doubled to 960,000 rupiahs ($975).

Corporate taxes, with the exception of oil companies tax, will be lowered from a maximum of 45 per cent to 35 per cent for both foreign and domestic companies, but tax holidays and concessions will be gradually phased out.

Most sales and excise taxes will be replaced by a 10 per cent value added tax.

The news laws are essentially aimed at raising revenue by amplifying and improving the tax system and thereby widening the tax base, rather than by raising taxes.

Most of the old system was a left-over from Dutch colonial times containing a multitude of sections, categories and government decrees. Many felt it had become so arbitrary and open to abuse that it was unworkable.

At the moment oil taxes account for more than 60 per cent of domestic revenue while personal income tax only accounts for 2.3 per cent. It is hoped that this will grow to at least 10 per cent.

WORLD TRADE NEWS

India approves Rover assembly deal

BY K. K. SHARMA IN NEW DELHI AND KENNETH GOODING IN LONDON

.E INDIAN GOVERNMENT is approved a proposed deal .r Standard Motors of Madras .o assemble Austin Rover's SDI Rover saloon car.

The contract between Austin Rover, a BL subsidiary, and Standard is expected to be signed this month.

Under the terms of the arrangement, Austin Rover will ship knocked down kits to India in the initial stages at least.

But the Rover, to be assembled at Standard's Madras plant, will have substantial Indian content because it will be powered by a locally-built diesel engine.

Ultimately the dies and other tooling for the Rover probably will be shipped to Madras. But that would not be before 1986 at the earliest because Austin Rover will continue Rover production until the joint venture car to be made with Honda of Japan, code-named XX, comes on stream in Britain in 1985.

The UK company still has not decided when Rover production will actually stop and there have been some indications that output of the saloon might be continued even after the joint project car has been launched.

The Rover will be the third of five cars to be offered on the Indian market with assistance from British companies.

Vauxhall is collaborating with Hindustan Motors of Calcutta which will use tooling from General Motors' British subsidiary to produce a version of the Vauxhall Victor (sold in the UK in the late 1970s).

And the Reliant company of Tamworth is co-operating with Sunrise Motors for the production of a glass-fibre-bodied car to be called the Dolphin.

Japan's Suzuki is helping Maruti Udyog to make a small car, and Fiat of Italy is to collaborate with Premier Automobiles to produce a new (to India) model in Bombay.

Standard Motors gave up car production in 1979 when output of its Gazelle model ceased. It has since concentrated on light commercial vehicles, production of which will continue.

Austin Rover is also putting the finishing touches to negotiations with the Pakistan group, Associated Agencies of Lahore, which should result in the British company shipping its Morris Ital production line to a new plant at Sheikhupura, 180 miles from Islamabad, over the next three years. That deal is said to be worth £20m to Austin Rover.

China's 'door always open' to Western business

PEKING—China's Vice Premier Yao Yilin said yesterday that China's "door is always open" to Western business investment.

"We invite all those who want to do business with us to come for trade talks," Mr Yao said in a New Year's message.

Since China's post-Mao leadership began opening doors to the West, at least 127 joint business ventures representing $440m in foreign investment have been established for products ranging from Coca Cola to modular furniture and Jeeps.

However, many foreign companies have found negotiating with the Chinese too protracted and the likelihood of early profits too uncertain to invest capital here.

Mr Yao addressed these companies specifically in his message, which came in an interview with the official Xinhua news agency:

"If you fail the first time, please do not feel upset. Come back for another try," he said, adding that China's population of 1bn is a potentially huge market.

China seeks foreign investment and loans, in addition to joint production, he said.

Mr Yao said the level of both imports and exports would increase in 1984, noting that China needs industrial raw materials, technology and equipment to speed up its modernisation.

The Ministry of Foreign Economic Relations and Trade has admitted that China made mistakes when first opening to the outside world, for instance by prohibiting joint ventures from selling their products on the domestic market.

Now such sales are allowed, provided the venture imports new techniques needed by China, or its products are urgently required or were imported in the past.

AP

SHIPPING REPORT

U.S.-Japan grain rates improve

BY ANDREW FISHER, SHIPPING CORRESPONDENT

FREIGHT RATES were generally steady over the Christmas and New Year holiday period, though levels for grain from the U.S. Gulf to Japan showed an improvement.

Denholm Coates said there could be some pressure from charterers to arrange early cargoes from the U.S. as a result of problems caused by freezing on the Mississippi and a possible dockers' strike from mid-January.

The rate from the U.S. Gulf to continental Europe for a grain cargo of around 77,000 tons eased to $7.75 a ton. For cargoes to Japan, it was around $16.50.

The shipbroking company said owners of dry-cargo ships would view the end of 1983 with little regret. "Although rates have on average been slightly higher than those in 1982, the industry has remained in deep depression."

With a gradual fall in the volume of bulk carrier tonnage in lay-up and more ships being sold for scrap, there should be some optimism for 1984, it added, "with the world economy stuttering into growth." But the rise in ordering of new tonnage seen in 1983 "seems certain to take out much of the improvement."

Latest figures from the General Council of British Shipping showed a further increase in its tramp trip index, which measures single voyages. But the index (1976=100) was still at 104, the second lowest for November since 1977.

This compared with 92 in October and 94 in November of 1982. The index was at 1983 lows, at 89, in the months of January, July and September. Its highest was 115 in May. Back in 1980, it never fell below 200.

Commenting on the performance of its index, the GCBS said that with continuous rises in costs, "many ships were not earning enough to cover running expenses, let alone make a profit."

● Four Indonesian shipping lines have decided to pool shipping services to Europe as part of efforts to step up Indonesia's non-oil exports, agencies report from Jakarta. The shipping lines, Djakarta Lloyd, Gesuri Lloyd, Samudera Indonesia and Trikora Lloyd, will together put a total of nine semi-container and multi-purpose vessels in the pool which will be operated under the name Djasageti.

According to Mr Norman Razak, chairman of the Indonesian Shipping Association, the pool would conduct 28 journeys to and from Europe a year. The first ship under pool arrangements will leave on January 11 from Europe.

U.S. aero engine gets approval

By Michael Donne, Aerospace Correspondent

PRATT & WHITNEY, the aero-engine subsidiary of United Technologies of the U.S., has won the Certificate of Airworthiness for its new PW-2037 jet engine.

This power-plant, the rival to Britain's Rolls-Royce 535-E4 engine, is now cleared for service in the Boeing 757 twin-engined jet airliner. The latter aircraft is already flying with the earlier version of the Rolls-Royce 535, the C model, which is to be replaced progressively by the E4 model.

Pratt & Whitney said it is using two new advanced materials in its PW-2037—the "single crystal alloy, PW-1480," in the turbine blades, and a powder metal disc alloy, PW1100, in the turbine and in compressor discs and seals.

Compared with current turbine blades, single crystal alloy blades have increased strength, higher melting points and improved resistance to oxidisation, giving longer life. The new powder metal disc alloy is also stronger than existing materials.

World Economic Indicators

TRADE STATISTICS

		Nov. '83	Oct. '83	Sept. '83	Nov. '82
Japan $bn	Exports	13.28	12.58	12.30	11.02
	Imports	11.28	11.17	10.96	10.71
	Balance	+2.0	+1.41	+1.34	+0.31
UK £bn	Exports	5.28	5.17	5.23	4.89
	Imports	5.17	5.59	5.09	4.37
	Balance	+0.11	−0.42	−0.14	+0.52
France FFrbn	Exports	66.99	64.28	62.06	57.01
	Imports	68.90	65.18	61.74	64.16
	Balance	−1.91	−0.90	+0.32	−7.15
		Oct. '83	Sept. '83	Aug. '83	Oct. '82
U.S. $bn	Exports	16.951	17.387	16.630	16.671
	Imports	24.763	22.175	22.782	21.006
	Balance	−7.812	−4.788	−6.152	−4.335
W. Ger. DMbn	Exports	37.6	37.8	33.2	34.8
	Imports	33.4	34.2	31.0	31.5
	Balance	+4.2	+3.6	+2.2	+3.3
		Sept. '83	Aug. '83	July '83	Sept. '82
Italy Lbn	Exports	9,480	7,191	9,651	7,537
	Imports	11,248	8,582	9,720	9,718
	Balance	−1,768	−1,391	−69	−2,181
Netherlands Flbn	Exports	15.99	14.22	13.54	14.98
	Imports	14.83	14.77	13.08	14.20
	Balance	+1.16	−0.55	+0.46	+0.78

UK NEWS—CABINET PAPERS

John Hunt looks at the way our leaders viewed the world 30 years ago

Familiar ring to the 1953 Budget

"IT WAS made abundantly clear that the efficiency of British industry would not be maintained, still less increased, unless means were found of reducing the burden of industrial taxation.

"It was therefore urgently necessary to secure some substantial reduction in the level of government expenditure."

This quotation might well be from a Treasury précis of a speech by Mr Nigel Lawson, the Chancellor. In fact it comes from a Cabinet discussion on the economy which took place on February 3, 1953, in the preliminaries to the Budget presented by Mr R. A. Butler (later Lord Butler), the then Tory Chancellor.

The Cabinet minutes for Coronation Year, now released by the Public Records Office under the 30-year rule, show Mr Butler and Mr Peter Thorneycroft (now Lord Thorneycroft), President of the Board of Trade, arguing for a cut in spending in the year 1953-54 and for a substantial reduction in the estimates for 1954-55.

In scenes that will be all too familiar to members of today's Tory Cabinet the proposals brought immediate protests from some ministers.

Mr Thorneycroft—who years later resigned from the Macmillan government on the issue of public expenditure—submitted his own memorandum. This doubted whether the Chancellor's proposed cuts were sufficient to alleviate the tax burden on industry.

In the discussion which followed it was emphasised that the objectives of the Government's economic policy could not be achieved unless the competitive powers of British industry were preserved and strengthened.

Defence spending, as usual, was a favourite candidate for the axe. Mr Butler proposed that the "scale and pattern of the country's defence effort in future years" should be reviewed.

He also wanted an inquiry into the level of spending of the National Health Service and a look at possible economies in education.

Sir Thomas Dugdale, Agriculture Minister, immediately expressed alarm at the prospect of any cuts in farm support. He would not agree to an annual farm price review which failed to take into account higher costs farmers faced.

Sir Arthur Salter, Minister of Materials, said he hoped for larger expenditure, to build up strategic stocks of food and materials.

A rise in prescription charges was discussed. There were complaints about high profits made out of the NHS by the pharmaceutical industry.

As a result, a committee of ministers—forerunner of the present "Star Chamber"—was set up to consider revisions in government spending. It was also agreed to appoint a committee to investigate costs in the NHS.

On February 10 Mr Thorneycroft returned to the attack, urging even more drastic cuts in spending. He said that so long as spending continued to rise there was little prospect of reducing the tax burden on industry.

Without tax relief, industry would be unable to make the necessary investment to re-equip itself. He saw a need for substantial cuts in the cost of housing and food subsidies.

Ministers then wrung their hands over the "leak" of a Government proposal to reduce grants for adult education subjects such as psychology and literature.

This had led to "bad publicity and undeserved criticism." Outraged arts organisations were despatching a deputation of protest to the Education Ministry.

The economic story for that year struck a happy note—at least temporarily—when on April 14, Mr Butler produced one of the most cheerful post-war Budgets. It reduced income tax on all rates and cut purchase tax.

The debt problems of Brazil which were discussed in Cabinet also have a familiar ring. Mr Butler said the International Monetary Fund was being asked to help solve the problem of Brazil's trading deficit with Britain.

Brazil would incur a £12m debt to the fund but it would be necessary later to finance part of the remaining £50m of Brazilian debt.

At a Cabinet discussion in May Mr Thorneycroft declared grave misgivings about the prospect of Japan joining the General Agreement on Tariffs and Trade.

Shrewd line on death of Stalin

IN FOREIGN affairs 1953 was overshadowed by the death of Marshal Stalin, the Russian leader, on March 5 and the assumption of power in the Kremlin by Malenkov, if only briefly.

The British reaction as shown in the record office documents was one of extreme caution tinged with regret that the government would be dealing with a new leader of unknown qualities. There were fears that the Americans might seize the opportunity to take a dangerously adventurous line against the Russians in the hope of influencing events within the Soviet Union.

The government's attitude was summed up in a secret telegram from Sir Alvary Gascoigne, the British Ambassador in Moscow, who gave a remarkably shrewd and realistic appraisal of the situation.

He declared, in a message sent the day after Stalin's death: "I do not look with satisfaction on Stalin's disappearance. He and he alone wielded power in this country and there is nobody who can really take his place.

"Despite his dogged determination to pursue his Communist policy to the bitter end and to have no compromise with the West, he was a man of great experience and caution who did not wish to promote an armed conflict between the two worlds. He had much common sense and a certain understanding of foreign mentality."

The Ambassador continued, "My particular fear is that elements in the U.S. Government may try to replace our present policy of containment by a more forward and positive one by arguing that this is the moment to deal with Russia when the stability of the political system has been impaired.

"I believe that this would be fatal and I recommend the greatest possible caution in our dealing with this country during the weeks and months that lie ahead until at least we can see which way the wind is blowing."

Great secrecy over Churchill's illness

THE CABINET minutes show the astonishing steps which were taken to keep secret the extent and seriousness of the stroke which Sir Winston Churchill, the Prime Minister, suffered at the end of June, 1953.

The fact that he had a stroke was not only withheld from the public — it was also kept from most of his Cabinet colleagues. The intense secrecy is reminiscent of that now surrounding the illness of Yuri Andropov, the Soviet leader.

At the Cabinet on Monday, June 29, some days after the stroke, Rab Butler, Chancellor of the Exchequer who presided, announced he would be deputising in the Prime Minister's absence. He only told the Cabinet that the Prime Minister was suffering from severe overstrain and was in need of a complete rest.

Yet, according to Lord Butler's own memoirs, he had received on June 25 a letter from John Colville, Churchill's private secretary, revealing the full extent of the Prime Minister's stroke.

The Colville letter said that after a dinner to the Italian Prime Minister, Churchill had suffered an "arterial spasm or perhaps a clot in an artery." He had great difficulty in speaking, his left side was partly paralysed and he had lost the use of his left arm.

"He himself had little hope of recovery," Colville said. "Unless some miracle occurs in the next 24 hours there can be no question of his going to Bermuda and little, I think, of his remaining in office."

The facts had been told to only a few of Churchill's intimates and colleagues including Lord Salisbury, Lord President of the Council.

At that time Anthony Eden, Foreign Secretary, who would have deputised for the Prime Minister, was himself recovering from a serious illness.

Late in July Sir Winston showed signs of improvement and memos were exchanged suggesting elaborate arrangements for photographs to be taken of him at Downing Street in the most favourable possible circumstances. This brought a furious rejoinder in a typed note from Sir Winston—"Do nothing until I tell you. If photographed at all it will be inside the garden and standing still."

In the event, Sir Winston was well enough to make a triumphant return at the Conservative Party conference in the autumn. He continued in office for nearly another two years until giving up the premiership in 1955. The public, however, knew nothing about the true extent of his illness until some years later.

Egyptian policy in a tangle

THERE WAS another classic bureaucratic muddle when it was suddenly realised that Britain was about to deliver a number of new jet fighters to Egypt at a time when Egyptian guerrillas were attacking British troops in the Suez Canal zone.

To make matters worse a Tory MP had put a question down on the subject in the Commons. After an anxious Cabinet discussion it was decided to postpone delivery on "technical grounds" so that the minister would not have to admit the jets were on their way.

But how could he avoid admitting they were to be delivered very shortly? Such an admission would lead to a Tory rebellion and the possibility of an emergency debate. After further hand wringing it was decided that "It would be preferable if the minister should give non-committal replies."

UK NEWS

Lawson's main worry overseas

Chancellor of the Exchequer's New Year interview with the FT

AN INCREASE in income tax in the next budget seems unlikely, Mr Nigel Lawson, Chancellor of the Exchequer suggests in his New Year interview with the Financial Times today.

However, he makes it clear that he will not permit Government borrowing to rise beyond its target by any significant amount and be is still holding open an option to increase some taxes in March. On a more optimistic front, he believes that 1984 could be the year when unemployment will begin to fall.

Chancellor, what are your main hopes and anxieties for 1984?

As the economic recovery continues and broadens out, I hope that 1984 will see unemployment turning down at last. This cannot be taken for granted, nor is it in the gift of government; it will depend crucially on the efficient working of the labour market and in particular on continued realism and moderation in wage bargaining. I would also hope to see further important progress on the privatisation front.

My main anxieties relate to the international scene. The persistence of massive U.S. budget deficits is increasingly distorting the pattern of world economic development, causing interest rates throughout the world to be higher than they need be and greatly exacerbating the international debt problem.

Have you changed your views about any aspects of economic policy since 1979? If so, what?

Not to any significant extent. The experience of the past four and a half years has clearly vindicated the policies on which we embarked in 1979, and to which we have adhered ever since – the medium-term *financial strategy, with its* emphasis on lower budget deficits and declining monetary growth, and within that framework a greater reliance on market forces – including, not least, the eschewing of incomes policy. The result has been a sharp and lasting reduction in inflation and now a soundly-based economic recovery.

Since you became Chancellor what policy or actions of yours have given you most satisfaction? Have any led you to have second thoughts?

That is not easy to answer in the terms in which you pose it, partly because I have been Chancellor only a short time, and partly because I *have deliberately not inaugurated* any new policy – merely sought to continue the policies so steadfastly pursued by my predecessor, Geoffrey Howe.

Looking back, however, at the economic and financial scene over the past six months since the general election, two slightly controversial actions spring to mind. One is the measures I announced on July 7 to rein back public expenditure during the current financial year. This was not universally applauded at the time, but I sense that the necessity of this unpalatable move is now more widely understood. Certainly, without those measures interest rates would not today stand at their lowest level for almost six years.

The other somewhat controversial action was Cecil Parkinson's decision to remove the stock exchange, on clearly defined terms, from the ossifying embrace of the Restrictive Practices Court. As a direct result, the long-delayed evolutioo of the central market in securities in the UK is now proceeding at an *almost revolutionary pace.* It was one of those occasionally necessary leaps in the dark, like the abolition of exchange controls in 1979, and like that earlier event will, I believe, lead at the end of the day to substantial economic benefit to the country as a whole.

Other satisfactions have been less dramatically occasioned. The development of the economy in general (despite the fashion for mindless pessimism). The sharp recovery in company profits in particular, so vital for the long-term health of the economy, although it needs to go n great deal further.

Any second thoughts I keep for my memoirs.

Why is the Treasury now suggesting that taxes (in 1984–85) might have to be raised somewhat?

Essentially because we now expect public expenditure in 1984–85 to be higher than was envisaged at the time of Geoffrey Howe's last budget. Not that there has been any increase in overall public expenditure plans for 1984–85. As the autumn statement showed, these have been successfully held to the level published in the February 1983 Public Expenditure White Paper. But at the time of the last budget it was assumed that actual expenditure would fall appreciably short of the planned total. Subsequent experience has shown this assumption to be unwarranted.

Thus, given this rise in the expected level of public expenditure, the most up-to-date forecasts we have suggested that a small increase in taxation (and not necessarily in income tax, as some commentators have seemed to imagine) would be required to reduce the 1984–85 PSBR to the £8bn figure (2½ per cent of GDP) foreshadowed in the medium-term financial strategy as published in the 1983 budget "Red Book."

Needless to say, the figures at this stage of the game are subject to a particularly wide margin of uncertainty. I shall not take any final decision about the overall level of taxation until very much nearer the budget, in the light of more up-to-date information and of all the circumstances at the time.

But let me make two things absolutely clear. First, I am not prepared to jeopardise our hard-won gains in the battle against inflation by indulging in excessive government borrowing. Second, I am confident that, given the firm control of public spending to which we have recommitted ourselves, we shall see lower taxes over the years ahead, whatever the 1984 budget holds. Lower taxes are essential if our economy, and those who work in it, are to give of their best.

Are you appealing for wage restraint in 1984?

Yes. If we want to see more jobs, realism in wage settlements will always be vital, and 1984 is no exception. We ignore the link between jobs and pay at our peril. In a competitive world, we have to be able to provide the goods and services that people want at a price they are prepared to pay, whether in export markets or at home. Those who seek to insist on excessive pay increases put at risk their own jobs, other people's jobs, and the job prospects of the unemployed.

As a former financial journalist, what do you think of the press reporting of the economy in the past year or so?

I shall resist the temptation to dwell on the golden age of the 1950s and 1960s when I was a financial journalist. But I must say I am struck by the modern obsession with inevitably speculative forecasts of the short-term future, at the expense of informing the reader what is actually happening in the present.

Company failure rate highest on record

BY TERRY GARRETT

COMPANY FAILURES in England and Wales last year were the highest on record. Liquidations rose by 12 per cent to total 12,466, while bankruptcies among individuals, firms and partnerships jumped by 25 per cent to 6,821.

In the final quarter of 1983 alone, liquidations recorded by Dun and Bradstreet, the business information company, rose by 20 per cent over the corresponding period of 1982 to reach 3,200.

The firm's survey comes as a paradoxically gloomy statement at the end of a year which has seen positive signs of economic recovery. Corporate liquidity has been expanding faster than at any time over the past decade and company profits as a whole have been rising some 20 to 25 per cent.

Industries worst hit were retailing, the motor trade, building and construction, textiles and engineering. These five sectors accounted for 69 per cent of all liquidations.

Despite the boom in consumer spending which characterised much of 1983, retailing remained the sector worst hit with 3,017 failures, almost a quarter of the total.

The motor trade accounted for 1,815 failures, or 13 per cent. Although sales of new cars in the UK last year reached peak levels, a price war among manufacturers pared many dealers' profit margins to the bone.

The engineering sector suffered again in 1983 with liquidations reaching 1,279, about 10 per cent of the countrywide total.

BUSINESSMANS DIARY

UK TRADE FAIRS AND EXHIBITIONS

Jan 4-8
Caravan, Camping, Holiday and Travel Exhibition (Bristol (0272) 650808) Bristol

Jan 4-15
London International Boat Show (Weybridge (09321 54511) Earls Court

Jan 7-12
Harrogate International Toy Fair (01-226 8653) Harrogate

Jan 10-12
Golf Trade Exhibition (Dundee (0382) 2450) Edinburgh

Jan 16-19
Pipelines, Pipework, Pumps and Valves Exhibition and Conference (01-637 2400) NEC, Birmingham

Jan 17-20
Which Computer? Show (01-747 3131) NEC, Birmingham

Jan 19-22
Home Entertainment — Hi-Fi, personal computer and software accessories exhibition (01-855 7777) Manchester

Jan 24-26
International Contract Flooring and Wallcovering Exhibition (South Ascot (0990) 24366) Cunard International

Jan 28-Feb 1
Stationery Industry Exhibition —STATINDEX (01-385 1200) Earls Court

Jan 29-Feb 1
Video Software Show (01-686 2599) Heathrow Penta Hotel

Feb 2-5
Money Show (01-262 3382) Kensington Exhibition Centre

Feb 5-9
International Spring Fair (01-855 9201) NEC, Birmingham

Feb 10-12
Crufts Dog Show (01-493 7838) Earls Court

Feb 12-15
International Men's and Boys' Wear Exhibition—IMBEX (021-705 6707) Barbican Arts Centre

Feb 14-15
Computer Seminar and Exhibition (01-839 4901) Press Centre, EC4

Feb 21-22
London Co-op Trade Fair and Conference (01-403 0300) Kensington Town Hall

Feb 23-24
Equipment and Services Exhibition for Golf in Europe—INTERGOLF EUROPE (Arundel (0903) 883381) Brighton

OVERSEAS TRADE FAIRS

Jan 12-17
Arts and Craft Exhibition (01-439 3964) Paris

Jan 20-29
International Commercial Motor Show (CH-1218 Grand Saconnex Geneva) Geneva

Jan 23-28
International Electronic Packaging and Production Equipment Exhibition — INTERNEPCON ELECTROTEST (0483 38085) Tokyo

Jan 29-Feb 1
International Confectionery, Chocolate and Biscuit Trade Exhibition — INTERSUC (01-439 3964) Paris

Jan 31-Feb 5
Holiday and Leisure Fair (Dublin 966711) Dublin

Feb 8-11
International Housewares Fair (01-930 7251) Cologne

Feb 9-18
International Commercial Motor Show (020) 5411 411) Amsterdam

Feb 10-13
International Exhibition of Household Goods, Crystalware, Ceramics, Silverware and Gifts—MACEF (01-242 7829) Milan

Feb 11-15
International Ladies' Ready-to-Wear Exhibition (St Albans (0727) 33291) Paris

Feb 11-19
Copenhagen International Boat Show (45.1.51.88 11) Copenhagen

Feb 12-16
International Food Fair—ROKA (01-486 1951) Utrecht

Feb 21-24
Asian Petroleum Exhibition and Conference — OFFSHORE S.E. ASIA (01-486 1951) Singapore

BUSINESS AND MANAGEMENT CONFERENCES

Jan 8-10
Arab Bankers Association: bankers and contractors (01-629 5423) Abu Dhabi

Jan 12-13
Brunel Management Programme: alternative futures — using scenarios in strategic planning (Uxbridge (0895) 56461) Brunel University, Uxbridge

Jan 10
IoD: how to finance a new business and its growth (01-839 1233) 116, Pall Mall, SW1

Jan 12
The Institute of Taxation: Business tax and other financial incentives (01-235 9381) Royal Air Force Club, W1

Jan 16-17
FT Conference: aerospace in Asia and the Pacific basin (01-621 1355) Singapore

Jan 17
CBI Canning House: Inter-American Development Bank (01-379 7400) Centre Point, WC1

Jan 18
The Henley Centre for Forecasting: Consumer markets: forecasts and opportunities (01-353 9961) Dorchester Hotel, W1

Jan 19-20
Macfarlane Conferences: The 1984 Pan-European Consumer Advertising and Marketing Symposium (01-637 7438) Royal Lancaster Hotel, W2

Jan 20
Deloitte Haskins & Sells: venture capital for the high technology company (Reading (0734) 595049) University of Reading

Jan 22-27
TAVI/HR: "Rethinking and action planning for organisational change" (01-435 7111) Brighton

Jan 24
LCCI: Licensing and technology transfer (07535 56633) Cannon Street, EC4

Jan 25-27
INSIG: 8th International seminar on "Security in Banking" (Paris 763-07-24) Paris

Jan 26
Dun & Bradstreet: time management techniques, a seminar for sales managers (01-337 4377) Kensington Palace Hotel, W8

Feb 1
IPS: improved purchasing management (Stamford (0780) 56777) Cafe Royal, W1

Feb 6-8
Frost and Sullivan: Human performance engineering (ergonomics) in computer systems (01-486 0334) Cumberland Hotel, W1

Feb 7-8
Spectra: Electronic point of sale —designing the right system for your business (Twyford (0734) 345885) Shoppenhangers Manor, Maidenhead

Feb 15-16
BACIE: education and training, problems in perspective (01-636 5351) Regent Crest Hotel, W1

Feb 16
Henley Centre for Forecasting: foreign exchange rates, analysis, forecasts and risk management (01-353 9961) Hyde Park Hotel, W1

UK NEWS

Economy set to grow by 2-3%, say forecasters

BY PHILIP STEPHENS

THE BRITISH Government receives a New Year message of encouragement tempered by foreboding today in a new series of published forecasts on prospects for the economy.

Five separate analyses predict that the economy will grow by between 2 and 3 per cent in 1984, while inflation will be running at between 4.5 and 5.5 per cent by the end of the year.

All five, however, expect a further deterioration in the current account balance of payments, and most expect growth to slow considerably next year.

Among the most optimistic of the predictions, the ITEM Club of economists, agrees with the Treasury's estimate that GDP will expand by about 3 per cent in 1984, while it says the retail price index will show only a 5 per cent increase.

Three City of London brokers, Phillips & Drew, James Capel, and Laing & Cruickshank, expect the rate of recovery to slow somewhat, but they take a relatively cheerful view of prospects over the next year.

A 2 to 3 per cent growth rate would put Britain above the average expected for other industrialised nations in Europe, but well below the 5 per cent expansion expected in the U.S. or the 4 per cent in Japan.

The Paris-based Organisation for Economic Co-operation and Development (OECD), predicted last month that the average growth rate among its 24 members would be 3.5 per cent this year, with the buoyant upturn in the U.S. and Japan counter-balancing an expected expansion of only 1.5 per cent in Europe.

"Although 1984 is likely to experience some slowdown in economic activity and an escalation of inflation compared with 1983, it is still set to be another good year," Phillips & Drew says.

Laing & Cruickshank says that the inflation rate is expected to peak early in the year, before falling back to 5.8 per cent in the fourth quarter, a figure endorsed by Phillips & Drew. James Capel agrees with the Treasury's prediction that retail prices will be rising by only 4.5 per cent at the end of the year.

A more pessimistic forecast comes from the independent Oxford Economic Forecasting, which predicts that the economy will expand by 2 per cent in 1984, but that growth will falter during the second half.

FORECASTS FOR THE ECONOMY

	GDP* (average est)			Inflation† retail prices (4th qtr)			Current account balance of payments (£bn)		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
ITEM Club	2.5	3.0	n/a	5.1	5.1	n/a	0.9	0.6	n/a
James Capel	2.7	2.0	2.0	5.1	4.5	5.0	1.0	−0.1	−2.8
Laing & Cruickshank	2.3	2.2	1.0	5.1	5.6	5.5	1.4	−1.1	−2.2
Oxford Econ Forecasting	2.5	1.9	1.3	4.7	6.1	5.8	0.9	−1.7	−2.1
Phillips & Drew	2.6	2.4	1.2	5.0	5.6	5.3	1.3	0.4	−0.6
Treasury (Nov)	3.0	3.0	n/a	5.0	4.5	n/a	0.5	0.0	n/a
OECD (mid-Dec)	2.5	2.25	n/a	6.0	6.0	n/a	1.0	1.8	n/a

* Except James Capel which is expenditure measure
† Except OECD which is average yearly increase in private consumption deflator, and Oxford which is average yearly increase in retail price index.

Reinsurers toughen resolve to stem underwriting losses

BY ERIC SHORT

FOR SEVERAL years UK reinsurance underwriters have been making New Year resolutions to take tough action to ensure that their market stems a rising tide of underwriting losses.

But each year these intentions have gone the way of most resolutions when faced with the problems of trying to put them into practice.

However, in 1984, the underwriters may really mean what they say. In the negotiations for reinsurance treaties for proportional reinsurance, many of which apply from January 1 this year, the underwriters have taken a much tougher attitude to negotiating terms and conditions.

For several years international reinsurance markets have been soft in that the terms offered by reinsurers have been unrealistically low both in regard to the premiums charged and in the level of covers taken by the reinsurer.

These terms were so low that underwriting losses were inevitable – the premiums received by the reinsurers could not be expected to meet the expenses incurred and the resulting claims.

Main reasons for this softness were gross overcapacity in the world insurance market as more and more insurers moved into the major insurance centres. Many of these insurers were backed by their national governments.

In addition, over the past decade or so many insurance groups have been widening their horizons and expanding operations outside their home territories.

This overcapacity resulted in very keen competition for business. New operators endeavouring to get a toehold in a particular market have been quoting low premium rates on generous terms. In order to maintain their share of the market established reinsurers have had to match the generous conditions.

The effect of this competition has been exacerbated by the high interest rate levels throughout the world. This has resulted in buoyant investment income from insurance funds which both insurers and reinsurers have used to offset underwriting losses.

Insurers and reinsurers have both scrambled for premium income to boost cash flows and the subsequent investment income, at the expense of sound underwriting.

Throughout this era of unbridled competition, the established reinsurers have warned of the dangers facing their industry if there was not a return to realistic and sound underwriting.

But no one took the necessary collective action because it was felt that any underwriter acting on his own would have little chance of success. Tougher terms from one reinsurer would simply have resulted in direct insurers going elsewhere. So underwriting losses escalated with the passage of each successive year.

So what is different about 1984 and why should reinsurers stop wringing their hands and get down to taking action to bring about a return to a realistic market? The answer is that underwriting losses have now reached unacceptable levels and this has had a marked effect on the reinsurance market.

First and foremost, it has brought about a significant drop in market capacity as second reinsurers have cut their exposure and others have dropped out of the market altogether. It is estimated that capacity has fallen by about 30 per cent in the past year or two.

Secondly, direct insurers and brokers have been getting increasingly concerned over the stability and security of certain reinsurers. In particular, they are concerned about the ability of some overseas reinsurers to be able to remit claim payments back to the UK.

The result is that reinsurance underwriters and brokers have been getting together, formally and informally, to discuss their problems and the necessary collective action required.

Letters to the Editor

Secrecy and the Press

From the Parliamentary Officer, National Consumer Council.

Sir, — Commenting upon the Court of Appeal's judgment in the case of *Secretary of State for Defence v Guardian Newspapers*, Justinian (December 19) observes that "the law endorses, and apparently approves, the constitutional position that Government in Britain is not open. Everything that emanates from government sources is secret, except that which it suits someone in officialdom to reveal—by covert means if necessary." Quite so.

Every time the Government comes out with its standard reply to open government questions ("We are disclosing more information than ever before . . ." etc) it carefully avoids the key issue. Governments have disclosed a growing volume of information through a number of different channels over the past 20 years or so. The underlying principle of disclosure, however, has remained the same—namely that it is the Government that decides what information is to be disclosed. The point is that an increase in the total volume of disclosed material does not necessarily lead (and in Britain has not led) to a fundamental shift in the balance of access.

It should be clearly understood that these considerations apply equally to defence/security related information and to other categories of government information which have nothing whatsoever to do with national security (eg, housing policy documents).

Covert disclosure (ie, leaking) is a selective and manipulative process and therefore an unacceptable substitute for more open government. Unfortunately, the absence of enforceable rights of access to official information obliges seekers after truth to attach more credence to the disclosures of whistle-blowers than is generally desirable.

Martin Smith.
18, Queen Anne's Gate, SW1.

Supporting the sponsors

From Mr A. Sunshine

Sir,—The letter from Texaco's Mr A. D. Turner (December 20) presents a cogently reasoned argument supporting public recognition of those business enterprises whose sponsorship provides the sustaining nourishment of the arts.

In these economically straitened times, we who are directly involved in the performing arts, as well as our audiences and members of the Press, must acknowledge the vital element which such companies as Texaco make available to the community generally. It surely is incumbent upon those who benefit from sponsorship to recognise its source and offer credit and thankful exposure to the firms whose funding allows us to practise our arts.

The London Chamber Players have no hesitation in gratefully acknowledging the generous support which we have received from prestigious companies. It is high time that those responsible for writing about and publicising artistic events, be they in this country or abroad, pay due recognition to those companies (and other benefactors) whose financial support has allowed such events to take place.

Adrian Sunshine.
London Chamber Players,
PO Box 84, London NW11.

Alarming drop in company cars

From the Secretary, Campaign for the Defence of the Motor Vehicle

Sir,—It is with some puzzlement that I wonder how John Abbott can claim £2bn annual subsidy for company cars (December 22) and if his school of accounting is a product of the Monty Python team.

Facts will show that road transport in general is taxed to the level of £10bn. Expenditure on the road users' behalf amounts to about £3.3bn, a surplus to the Exchequer of some £6.6bn. Tax paid on company cars obviously produce a substantial slice of this revenue. There seems little evidence of subsidy here.

One thing is certain, that further increases in taxation upon the company car user will require subsidy, the subsidy known as social security. For the British based car industry is uniquely dependent upon fleet sales — for use as company cars — for its very existence.

A recent survey sponsored by the Institute of Marketing showed an alarming drop in company cars since last year's budget. Should this continue, it is most probable that the near million employees of the British automotive and associated industries will be joining the ranks of Britain's unemployed.

A company car is a tool of the trade — in all but very few cases — and taxing a workman's tools is not really the most effective way of making British commerce and industry competitive.

Albert Ingram.
8, Brooklands Close,
Holt Green, Birmingham

Competition in transport

From Mr A. Street

Sir,—Your Transport Correspondent, Hazel Duffy, in her article (December 19) on the NEDO report "Pre-construction procedures for motorway and trunk road schemes" misconstrues the main thrust of the report.

It is true that the NEDO study found no "magic formula" for speeding up motorway and trunk road preparation procedures so that the roads programme could be expanded quickly as a short-term boost to the economy. The main justification for a bigger road programme, however, is that, in the longer term, if the Government succeeds in promoting sustainable non-inflationary growth then present road building plans are inadequate to cope with the traffic which will be generated. Given the long pre-construction period for roads, the Government should therefore be producing more ambitious road building plans now and not when the traffic pressures are plain for all to see.

The NEDO report pays much attention to the longer term problems of improving roads in urban areas, especially London. Its central conclusion is that the initiative should be regained by Ministers taking decisions on common-sense grounds, with less reliance on cost-benefit analysis and less interference from interest groups at public inquiries. The NEDO report's authors doubt whether London will ever get a modern road system unless the Government gives a much more determined lead. One might also question whether over-loaded sections of the inter-urban motorway network will ever be relieved under existing public inquiry procedures.

Getting the right road network for the early years of the next century should be a national priority.

The NEDO report shows that we must not only plan for this now, but also reconsider how the planning process should take place.

Andrew Street,
(Economist).
British Road Federation,
Cowdray House,
6, Portugal Street, WC2.

From the Chairman,
Railway Conversion League

Sir, — In his apologia for railways Mr James Abbott (December 22) states that less than a fifth of the public service obligation grant goes to InterCity services. He omits to mention the costs of electrification and new rolling stock, much of which has been a charge on public funds and of which InterCity has been the principal beneficiary.

The significant factors in the argument, however, are these. British Rail's magnificent route network is used to only 3 per cent of its potential capacity and this figure will not change noticeably until the rails are taken off it. The cost of moving people in trains is four times greater than the cost of moving them in express buses. What then is the purpose of railways?

Angus Dalgleish.
Shouson Hill, Ruxbury Road,
Chertsey, Surrey.

Reform of the Stock Exchange

From Mr P. Hockwood

Sir,—Mr M. A. Ingram (December 23) has it about right. Related factors that add to the weight of institutional power are, I suggest, (i) the indifference of brokers to potential investors with only up to, say, £50,000 to lay out (unit trusts and insurance companies bombard the small investor with opportunities to increase their involvement) and (ii) the introduction of tenders for new issues (I suspect a lot of people fear that they may be entering into an open-ended commitment under this system). Equally, on new issues, the iniquitous stagging practice should be ended (cash the accompanying cheques!) so that the layman has a better chance of obtaining the number of shares for which he has applied.

P. F. Hackwood.
6 Park Avenue,
Bromley, Kent.

Manx property prices stagnant

FINANCIAL TIMES REPORTER

PROPERTY PRICES have remained low and the market stagnant on the Isle of Man for the third year in succession. Last year the average house price rose by only 1 per cent according to Chrystal Brothers, Stott Kerruish, a local firm of estate agents.

One important trend reported is the fact that a significant number of residents who had come to the Island from the UK appear to be leaving. As a result, large houses were being sold at below present building costs.

THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

A leap forward into the present

William Dawkins on the survival strategy of an old family company

Roger Taylor

Captain John Bury (left) and Tim Stephenson: changing Grafton's business out of all recognition

ONLY FOUR year ago, it seemed certain that Grafton's days would soon be numbered. The family-owned office equipment company had spent a peaceful and reasonably profitable 69 years churning out metal typewriter spools from its castellated mock-Gothic factory in Eltham, south London, and despatching them for assembly to its ribbon manufacturing customers.

But it had paid no attention to the high technology revolution which was emerging in the office equipment market and threatened to sweep it away.

Grafton's machines, once the most advanced of their type in the world, were too antiquated to respond to the quickly expanding demand for plastic typewriter spools and computer cassettes generated by advances in office automation. Moreover, it was failing to market its existing products effectively.

"They really did not know what was happening. They just kept on selling the old metal spools in ever decreasing quantities—and you need to sell an awful lot of spools to make money," says Tim Stephenson, who became managing director last year.

Since its foundation by engineer and inventor, Walter Grafton, in 1914, the company's product strategy has not changed significantly. In its year of formation it experimented with egg beaters, and later, in 1926, a mechanical vibro-massage machine was pioneered. Another innovation, in the 1920s, was a gadget for extracting stones from cherries—which the company is very proud of.

So the directors watched helplessly as their market share and profits dwindled at the hands of more innovative and aggressive foreign competitors. "Grafton had failed to look ahead to the expansion in the cassette market and the capital expenditure needed to keep up must have looked very frightening to a small private company in the middle of a recession," says Stephenson.

The company reached its lowest point in August 1980 when Stephenson's predecessor as managing director left Grafton for its chief rival, Regentrop and Bernard of West Germany, which had been making dramatic inroads into Grafton's UK market share.

It was in the same month that the family brought in a new chairman, Captain John Bury, who is married to a Grafton and left his job at Trinity House to take the post. Since then the business has changed almost beyond recognition.

His first actions were to persuade the 188 staff to accept a 10 per cent wage cut, introduce a three-day week, and start spending £1.5m on plastic injection moulding machinery. Grafton borrowed £750,000 from the bank and financed the rest from cash flow.

Bury then seduced Stephenson away from his job at Gallaber, the U.S. office equipment multinational, to take over finance and marketing.

In an ironic counterblast to Regentrop, Stephenson recruited the ex-wife of the German company's chairman to become his European marketing manager. Stephenson then hit the road himself—he has been overseas for five months this year—in a bid to restore market share. "A lot of people simply had not heard of us," he says.

In the year to June 1983 pretax profits of £104,245 were earned on sales of £2.8m. For the current year turnover looks set to reach £4m—which would be more than double the figure at the time Bury took the chair. Operating profits this year are expected to equal 23 per cent of capital employed. Computer related products have risen from 7 per cent of sales in 1979 to 40 per cent in the current year.

Grafton has actually lost a few points of its share of the world market for cassettes and spools—from 17.5 per cent to 15 per cent—over that period, but the industry has expanded radically since 1979, so Grafton has still managed to increase its volumes.

Meanwhile, Grafton's exports—to the U.S., Europe, Japan and South Africa—have slipped during the past four years from 68 per cent of sales to 54 per cent.

Just how dramatically Grafton's markets have changed can be seen from an expansion in world sales of electronic typewriters from 1.6m annually to 2.6m in the decade to 1982.

Sales of typewriters with word-processing capabilities have increased from 30,000 to 180,000 over the same period.

Grafton provides a textbook example of a traditional sleepy company which won a new lease of life by putting its house in order in the face of sweeping changes in its industry. But recovery would have been impossible had not Grafton found a peculiar niche in a corner of the market which office equipment giants like IBM and Olivetti are unable—or do not wish—to occupy.

"If they are going to supply a new cassette for a new machine, they are going to have to drop something of their current production lines," says Stephenson. "Even IBM has limited moulding capacity."

This creates a supply problem for users of slightly older office machines and allows a tiny low technology company like Grafton to fill the gap and survive by picking up the crumbs left by the high technology multinationals.

In addition, Grafton competes directly against them by redesigning their spools and cassettes, aiming to make them cheaper, easier for the ribbon manufacturers to assemble, and of better quality. It has been able to sustain this strategy because, until now at least, the office equipment giants have regarded cassette making as peripheral to their mainstream activities.

However, there are signs that the next challenge to Grafton will come not from the leviathans but from the minnows of office equipment.

Most of its 290 customers are too small—the bulk of them employ around a dozen people—to afford £80,000 for a plastic injection moulding machine and the tooling to go with it. Yet some of its larger U.S. customers—which account for 60 per cent of exports, against 30 per cent for Europe—have begun to take on their own moulding capacity in the past year.

It was partly to avoid this eventuality that Grafton built up such a diverse customer base, as well as to sidestep the obvious risks in being allied to two or three large clients.

But its prices across the Atlantic are now bound to come under increasing pressure. And the freight costs involved means Grafton's hand is much weaker in the U.S. than it is in Europe, where its most basic products are up to 14 per cent cheaper than those of Regentrop or its only other main rival on the world stage, Turbon, also of West Germany.

In brief...

IN A BID to stimulate staff training in small companies, the Federation of Microsystems Centres is to provide business computer users with the opportunity to examine examples of computer based training. Recognising that lack of time and money are key reasons why small businesses tend to regard training as a low priority, the federation has devised a project which will be funded by the Manpower Services Commission.

The project will involve monitoring existing material of business users and compiling an index relevant to small businesses; identifying training needs and specifying and commissioning course material. Technical co-ordination and management of the project will be undertaken by the National Computing Centre on behalf of the Department of Trade and Industry.

●

A scheme aimed at stimulating small businesses within "Seed bed centres" is being implemented by the National Federation of Industrial Associations. The project provides for a network of centres where, for a low rent underwritten by the local authority, a tenant can set up in business, with all facilities and services required being provided on a common basis. This would include furniture and equipment (such as typewriters and photocopiers), and access to a specially developed computer system. The first centre has just been opened at Ilkeston, in Derbyshire, and two others will be opened in 1984 at Harlow and Brent.

●

The British Institute of Management has produced a guide to "Setting Up In Business." The subtitle, "A guide to entrepreneurs and those contemplating a business start up," is a pointer to the target audience, which the author, Ian Webb, makes clear is the beginner and not those who already have some sort of enterprise under way. The guide takes the budding entrepreneur through sources of finance (no great hopes are raised about sources other than family or clearing banks); marketing; systems and accounts; structure (i.e. partnership, limited liability and so on); taxation; and insurance. Available from BIM, Management House, Parker Street, London WC2B 5PT, price £5.50, including postage.

Growing up in a small way

Brendan Keenan on the philosophy of an expanding Ulster group

MARTIN NAUGHTON, managing director of Glen-Dimplex, is a little weary of being regarded as some kind of Irish joke. After all, his company, founded just ten years ago, now controls over 80 per cent of the UK market for oil filled electric radiators, has an expanding range of domestic appliances, and employs 1,400 people in England, Northern Ireland and the Irish Republic.

On the other hand, if you start making oil filled electric radiators in one of Ulster's unemployment blackspots just as the energy crisis knocks the bottom out of the market, you must expect some peculiar looks. Naughton concedes the point, but says: "I think we're long past the stage of being regarded as a freak."

Indeed they are. General Electric, as it was originally, displayed considerable resilience as the market for its type of radiators plunged from 800,000 to 100,000 units per year between 1973 and 1975. While competitors, most notably Dimplex (the then market leader), went to the wall, Glen was able to hang on.

Naughton attributes Glen's survival to his belief in the principles most commonly, though not exclusively, associated with small companies of thrift and frugality. He recalls that, when he and Glen's co-founder, Lochlan Quinn, started out "we were determined to stay small and not let the business grow beyond £1m a year."

Glen's takeover of Dimplex pushed the company well beyond that barrier, but Naughton explains the change of heart by saying that the Dimplex name was invaluable. It consolidated Glen's position in the market, and it was not an expensive deal. He felt that Dimplex had been caught with too much stock and burdensome production overheads — both of which were problems Glen could overcome.

Glen-Dimplex is organised in small units, each reporting as a separate cost centre. "We expect each factory to be a mini-Taiwan," says Quinn. "And we get it."

This concept has enabled the company to introduce an increasing range of domestic products alongside the radiators. Included are irons toasters, coffee pots and, most recently, a coffee roaster on which the company sets great store for future expansion. It roasts raw coffee beans and allows users to roast beans to their individual tastes and with maximum freshness.

Switch

Flexibility is another facet of the small production units. With a heating unit being the common denominator of each product, units can quickly switch from producing one product to another according to demand.

Even though the group turnover has now reached an annual £50m, the main board has only just been increased from two to three directors. Apart from Naughton and Quinn there is Philip Brand, former chief executive of Sunbeam/Rima domestic appliances, who is masterminding the marketing of the Glen-Dimplex range of products other than radiators.

When Naughton and Quinn—who had been an Irish partner of accountants Arthur Andersen — set up Glen, it was in classic small business fashion of mortgaging their houses and cashing in their life savings to raise the necessary funds. They clearly believe that this route offers the right incentives to succeed; sole distribution rights to Glen-Dimplex domestic products in the U.S. have recently been given to two young American entrepreneurs who have mortgaged their homes to establish their own company.

The company's current sales split is 65 per cent UK, 3 per cent Ireland and the balance in the rest of the world. America is seen as a major market for domestic products in particular, but, despite past problems created by energy crises, Naughton also reckons there is very substantial scope for the Dimplex heaters.

Glen-Dimplex believes that electricity will become an increasingly competitive form of energy over the next ten years and that the company's sales can be doubled in that period. "Half the central heating installations this year were electric," says Naughton. "We believe the Department of Energy has a report which predicts that electricity will be half the price of gas by the end of the century."

Meanwhile, Naughton believes that small values can continue to be applied even as the company grows. Like many Irish businessmen he and his partner want their company to remain private.

Such attitudes will bring little cheer to the Irish Stock Exchange, which has not seen a new full listing for ten years, and has been complaining about the reluctance of Irish companies to go public.

In order to pursue growth as a private company Glen-Dimplex has retained in London the City finance and banking company, Charterhouse, as advisers. As both men want to continue living in Ireland, they see Charterhouse as being able to guide them to general City trends, and to advise them on acquisitions and developments in financing.

Regional BES fund

A REGIONAL business expansion fund for the West Country has been established by Granville and Co. in conjunction with a group of investment advisers based mainly in Salisbury.

The Wessex Business Expansion Fund 1983-84 is seeking a minimum of £375,000 and maximum of £750,000 by the closing date of January 27 1984. Those participating in the fund will be eligible for tax relief at their highest marginal rate.

Granville already has a business expansion fund of its own and a number of companies which sought money from this source have been short-listed for the Wessex fund.

Though it is hoped that investors will emerge from within the West Country and that investments will also be found there, it is likely that some companies outside this region will become recipients of the fund. This is partly because — as Granville director Nicholas Moy points out — the Inland Revenue requires all investment opportunities to be considered for all funds that come under a common fund management.

Moy is hoping this will be changed as he feels it would help fund managers to create more truly regional funds.

THE ARTS

Art in 1983/William Packer

Highlights amid the gloom

A year cannot have been entirely bad that at home could give us the extraordinary and definitive *Essential Cubism* at the Tate in early summer, and come to its end with Dufy setting the Hayward alight with colour, Raphael's drawings at the British Museum, and, of course, the great Venetians in their pomp at the Royal Academy.

To take us abroad there were, among so many other treats, Claude and Manet and then Turner in Paris, and lately Max Beckmann in Frankfurt, each one, quite apart from celebrating his own particular and spectacular virtues, pointing the moral that with so much that is so good to see, we should all spend rather more time upon the road.

There was besides the endless procession of good things that marched through our own galleries, large and small, public and private: the somewhat under-sung Hague School painters at the Academy, exquisite Degas at David Carritt, Gaudier-Brzeska at Kettle's Yard, that curious melange of a century of British landscapes at the Hayward, Matthew Smith at the Barbican, the great modern Russians at the Academy and Annely Juda.

Our living artists, of all ages, hardly let us down: David Nash on tour, Edward Bawden at the Imperial War Museum, Henry Moore passim at 85, Lucian Freud at Agnews, and John Bellany, Barry Flanagan, Frank Auerbach, Peter Blake, Maggi Hambling, Gillian Ayres, Anthony Caro, John Houston, John Carter, Anthony Whishaw, Ken Kiff, Euan Uglow, Phillip King, John Piper, Richard Long, John Hoyland, Mick Moon, Bert Irvin: not bad indeed. The list is not exhaustive: even so it could not be matched anywhere else, either for range or for quality.

But the coin has its other side: a year that ends as it began, with the public funding of the arts still at issue, at best inadequate and partial, crisis imminent as ever, the protagonists still squabbling over what spoils there are, that has seen galleries closed and exhibitions cancelled; that has seen the insidious attack upon art education in this country, which has done far better by us than we have any right to expect, gain in strength, with the schools and departments of fine art most obviously at risk, cannot have been entirely good.

The arguments, most especially the economic arguments, in favour of proper and decent subsidy are well rehearsed, and there are signs they begin to take, but it remains extraordinary, in a civilised society, that they should need to be rehearsed at all. Artists must live, and they cannot do so on thin air; they need as ever to be paid to get on with their sometimes necessarily disquieting trade. But we know well enough there are few votes to be won by Art.

The problem is made up of a general misunderstanding of the artist's part in relation to society, and an equally general loathing and distrust of what he does. We forget, to our cost, that all art is modern art in its day and that it will always be as difficult and challenging as it is profound and true. Its very quality will make it special and thus to some degree exclusive, which is why we hear the populist squawk for community arts and occupational therapy on one side, and the sneering contempt for the high-brow confidence trick on the other.

So it is that the artists suffer, by which I mean not just painters and sculptors, with whom naturally I am most concerned, but working artists of all kinds: writers, composers, designers, craftsmen. It is a clear symptom of our social malady that the one who makes the work is likely to be the last to be considered for any practical help. We look at the cake and the way it is sliced up, and cannot but notice that it is performance that gets the major portion, after administration and capital costs. Of course we must have Opera, and Ballet, and Music and Theatre, and it is absolutely right that each discipline should celebrate its own inherited achievement.

But is this quite what the old Council for the Encouragement of Music and the Arts would have seen to be its principal duty? It is certainly dispiriting to hear the subsidy debate conducted almost entirely in terms commanded by three powerful interests. How well we do perform those great works: but it is the work done in our own time, difficult as it may be, that is the duty we owe on the enjoyment of that wonderful cultural inheritance. If we default we stand condemned for our philistine improvidence.

"Head of a Young Man" by Bassano, one of the treasures of Venice, on show at the Royal Academy

Art Education is a more particular case, one pointed as it happened by two exhibitions in the autumn: a selection of work by distinguished graduates of the fine art schools of the four ILEA art colleges, Camberwell, Chelsea, the Central and St Martin's, at the Academy; and at the Barbican, *Young Blood*, a comprehensive and exhaustive survey of the work being done in Schools of Design across the country. With Bromley Council choosing to wipe out Fine Art at Ravensbourne, which occupied the central place in its newly built and now misnamed College of Art and Design, and to put in its place a course for Television studio technicians, the timing was pretty good.

For the positive dislike of the fine arts takes other forms, and now that the penny has dropped at last, and even the ministry can be persuaded that our art schools have actually made a decent return on investment over these past several decades, the opportunity no doubt seems too good to miss. Design is the thing, the new orthodoxy to be celebrated and exploited, and we now see a dangerous wedge being driven between Art and Design, art students, as we all know, untidy, ill-disciplined, anarchic and anti-social; designers bright and brisk, short-haired and biddable.

One would laugh were the fatuity not so serious. The mutual relation is as necessary and beneficial as it is as obvious and natural. And up and down the country, the polytechnics into which our art schools were seduced 20 years ago for their ostensible protection, are more vulnerable to rationalisation—happy word — than they have ever been, principals unsympathetic to working practices in those mysterious places they cannot understand nor ever respect, Directors of Education cut happy, mergers mooted even for those famous London schools — the sad debacle of the sculpture school at St Martin's cannot have helped.

Gradually, starved of staff and resources, the departments must become less effective, leaving little alternative to close them down.

But enough of such gloomy prognostication: "It shall not be! Enchanters, flee! I challenge you to battle me!" And there is at least the comfort of present achievement, and that long, hopelessly brief and arbitrary list of some of our working artists, I gave in the earlier part of this article, to shame us perhaps into better sense. It was a particular grief to me that I was prevented by circumstances from writing about Phillip King's latest sculpture, shown at the Rowan in the summer, and Euan Uglow at Browse & Darby, a remarkable painter by any standard, who stands quite alone, in ambition and achievement, in his sustained objective consideration of the nude.

There was John Carter too, at the Warwick, with a small retrospective of extreme refinement, who passed unnoticed, though he reappeared later at Nicola Jacobs with his newer work. The several celebrations of Henry Moore's 85th birthday, at the Tate and Marlborough especially, deserved rather more extensive treatment than I was able to give them; and I would have wished, too, to say rather more of Edward Bawden, whose work as a war artist, in France, Italy, the Middle East, by which the Imperial War Museum honoured his 80th birthday, was revealed as an astonishing tour de force, as it were.

Other high points for me were Richard Long's shows at Easter, at the Arnolfini and Anthony d'Offay, and David Nash's splendid and vindicatory retrospective in Glasgow. But quite outstanding, in this as they would have been in any year, by two painters I firmly believe to be great artists, Frank Auerbach at Marlborough in January, with his dense, rich, expansive expressionism, and Lucian Freud at Agnews in November, whose *Large Interior*, a large conversation piece, intense in feeling and highly wrought, was the single most impressive new work by a living artist to be seen for some years.

There was some controversy, as always, on the public front, the Arts Council coming in for rather more than its fair share. The popular abuse of the summer's sculpture show, which for once extended the Hayward Annual to the Serpentine, much obscured what was a useful survey of current activity, as partial as any selected show must be, but generally sympathetic and informative, with many beautiful things on view, carvings especially.

As much is true, in its own way, of the Tate's New Art in September, which was quite as arbitrary a gallop across the field of international painting and sculpture, and even, perhaps, somewhat gleefully inconsequential. But with the dross we were also shown something of the purer ore, the better of the brave new expressionists (for example, Immendorff, Fetting, Chia — who was also very well shown in Edinburgh by the Scottish Arts Council) seen very much to their advantage beside the worse (Schnabel, Penck).

But the great tradition in painting and sculpture, as in all the arts, is unbroken and alive, sustaining its present vitality by feeding on what went before. If my own preoccupations are largely with the new, it does not follow that they must be exclusive, and I would insist that I see no essential contradiction in considering Freud, shall we say, one day, and Claude the next. When I look back across 1983 and try to point a finger at what it was that moved me most, that was most truly distinguished or memorable, I find that I can only fall back on indecision. The great Manet show was wonderful, but then so was Beckmann, and how curiously they informed each other; and so to Claude, and Turner.

And what of Cubism, which I did think was the greatest show I was likely to see for a year or two, until I went to Paris for the Manet a week later? And now there is Venice, which is an extraordinary business, the sort of exhibition we thought could never be put together again, bringing under one roof as it does the achievement of one century, dispersed across the world over several. There are paintings there worth the entrance money several times over for the sight of themselves alone.

Musical trios of 1983

Dominic Gill and Andrew Clements assess the year's musical performances

Some of the most insistent impressions of 1983 came in threes. *Three conductors.* If reviewers' superlatives were not so instantly (and correctly) suspect, the Philharmonia's Beethoven concerts under Kurt Sanderling would have been of the kind to prompt the observation that the Philharmonia is unquestionably the best British orchestra, that Sanderling is one of the great conductors of our time, and that he is especially one of the great Beethoven conductors of our time. As it was, a shorter, soberer sentence sufficed: the combination of the three names was irresistible.

Sanderling's account in particular of Beethoven's Seventh with the Philharmonia in February was so nearly perfectly made — which is not to say that it matched any preconceived paradigm of the symphony, but that it was almost perfectly self-realised, self-consistent — that comment is really superfluous. It was a miracle, poised on a knife edge, of calm poetical judgment: of balance, weight, dramatic line, and tempo. There was not a moment's faltering in it. Superlatives cannot finally be restrained: it was one of the most exhilarating orchestral events of the year.

Seven months later, casting around for a replacement for an indisposed Michael Tilson-Thomas, the same orchestra had the happy inspiration (and unusual faith) to light on a young and unknown name from Finland to fill the date. Esa-Pekka Salonen is just 25 years old, a graduate of the Sibelius Academy in Helsinki: it was not merely his British debut, but his first appearance anywhere outside Scandinavia; and it was, unequivocally, a triumph. Salonen is the epitome of the "born conductor": he is utterly at ease on the concert podium; his technique is calm, unpretentious, relaxed; his beat and gesture are crystal clear, and his concentration unflagging; his energy is apparently tireless. Furthermore, and most striking of all, in Mahler's third symphony his grasp of style, and his command of Mahlerian complexity, matched that of not a few experienced and respected conductors twice his age.

The contrast between that concert and another directed during the summer by the Philharmonia's Principal Conductor Elect Giuseppe Sinopoli was as vivid as it was profoundly depressing. Sinopoli (b. 1946) used to be known as a minor Italian composer and teacher who occasionally conducted concerts of contemporary music. In recent years, publicity-hype has urgently promoted him as a brilliant opera and general symphonic repertory conductor. As is so often the case, hype and reality do not appear to coincide. In June, Sinopoli conducted the Philharmonia in one of the crassest performances of Mahler's ninth symphony that I have heard in a public concert — deeply undistinguished, crudely voiced, dully and woodenly phrased, without any sort of rhythmic excitement, direction or purpose. The answer may be difficult, but the question is simple: how can our finest symphony orchestra afford to appoint as its Principal Conductor someone who can direct Mahler's Ninth as dumbly as this?

Three pianists. 1983 was not such a cornucopia of pianism as the previous year had been—but among a number of keenly enjoyable events were three outstanding recitals by pianists all born after 1947. The Russian Dmitri Alexeev as usual played his recital to a half-empty house, although from first to last there was not a page or paragraph of it that was less than masterly. Ultimately, of course, the rows of empty seats do not matter: it is Alexeev who matters. I am only sorry for all those souls who regularly rush to fill the concerts of artists who are by comparison virtually non-existent, drink their fill of mediocrity, and will never know what they missed.

The Cuban-American Horacio Gutierrez is no stranger to our concert halls — though, strangely, his South Bank recital in December was his first solo appearance in London since a sensational debut in 1974. That could also explain the empty seats, for otherwise he is the sort of pianist of which ardent followings are made: musically as well as physically larger than life, he has splendid presence, and his music-making is never less than powerfully accomplished and intensely enjoyable. His Ravel *Gaspard* especially was a marvel of concentration and detail—full of sudden blossoms of colour, dark gleams of shadow, unexpected intertwinings of inner voices. He is one of the very few pianists who knows how to make his bass octaves explode in Liszt's Mephisto Waltz No 1, yet never force through the tone—magnificent high-tension Horowitz grenades.

Even if the competition were stronger, I've no doubt that Peter Donohoe (b.1953) would still rank as the most gifted British pianist of his generation. The physical presence, as imposing as Gutierrez's, is similarly matched by a technique that is in the most elevated sense transcendental: it takes the most fearsome virtuoso challenges in its stride, but leaves the glitter of mere note-spinning far behind. A Donohoe recital is that rare pianistic event which blends high seriousness and excitement in equal measure.

The very scale of the programmes tells of uncommon resilience and stamina. At the beginning of December, Donohoe played the whole of Messiaen's *Vingt Regards* and Ravel's *Gaspard* in a single recital at the Wigmore Hall; ten days later he returned to the South Bank with another recital containing not much less than two hours of music. It was an unusual sequence of Rakhmaninov, Beethoven and Prokofiev, delivered with a command, and a transparent lack of pretension, that made it wholly convincing. His account of Beethoven's op.111 was specially memorable: a performance seemingly without any kind of "performer's" intervention, a direct transmission —that paradoxical, magical vanishing trick fundamental to all great interpretative art.

*

Betty Roe's *Gaslight* staged by Camden Festival and Havergal Brian's *The Tigers* broadcast by Radio 3, were nominally operatic and therefore spared from further discussion here. The Great British Music Festival, bruited as the first co-production of the five independent symphony orchestras, promises to run and run, impervious to the criticism heaped upon it for its heavy-handed programming and unerring knack of fastening on the second rate. Other festivals and concert series have thankfully provided a counterbalance—the London Sinfonietta's Ravel and Varèse, the BBC and the Sinfonietta's second series of Music of Eight Decades, the Barbican's Webern cycle.

Yet the most memorable orchestral concerts were frequently isolated events—a London orchestra galvanised by a great conductor or the visit of a distinguished foreign group. Perhaps the most gratifying experience was the emergence of the City of Birmingham Symphony Orchestra under Simon Rattle as a band of international stature, pulling most of its British rivals to shame. The programme of the last three Sibelius symphonies which closed South Bank Summer Music demonstrated playing of great distinction and refinement in every department; an autumn visit to the Barbican under Maxim Shostakovich for Shostakovich's eighth symphony proved that the CBSO was not just a one-conductor orchestra.

Shostakovich 8 was also brought to the Proms by the Concertgebouw Orchestra under Bernard Haitink, whose conducting has been the most consistent pleasure of the year; with the Concertgebouw he delivered Bruckner's ninth symphony in the richest, most spacious terms, a glorious orchestra perfectly matched to its repertoire. The appearance at the Proms of the European Community Youth Orchestra with Claudio Abbado brought with it another lesson, that of the benefits of wholehearted commitment, and how sheer enthusiasm can sweep minor blemishes aside. The London orchestras showed characteristically in-and-out form: the Philharmonia the most consistent (superb under Haitink for *The Dream of Gerontius*), the London Philharmonic responding well to Klaus Tennstedt, the London Symphony more often out than in.

Elsewhere, a class singer sometimes enlivened an orchestral concert. Martyn Hill's sensitively proportioned accounts of Britten's *Nocturne* and *Serenade* with the Northern Sinfonia were a gentle pleasure; Galina Vishnevskaya's contribution to a *War Requiem* conducted by Rostropovich was spine-tingling. Yet if a single Britten work dominated the year it was *Our Hunting Fathers*, given a fine new recording by Elisabeth Söderström, and an even more effective performance by Jill Gomez in the Festival Hall, with the Philharmonia and Vernon Handley.

If for me the pianistic event of the year was Channel Four's broadcasts of the three video recordings made by Glenn Gould shortly before his death in 1982, recitals by Cherkassky, Annie Fischer and Pollini were all in their own way piano playing of an exalted kind. At a more modest level, a recital by Renee Reznek of 20th-century music was a genuine and valuable pleasure—refractory repertoire lucidly and sagely presented.

New contemporary music was dominated by established figures; of the plethora of new-music groups performing a wide variety of young composers very few stick in the mind. At the Proms Elliott Carter's Triple Duo was the star attraction, as seamless and surefooted an instrumental essay as he has composed in years, less abrasive than the Third Quartet, delighting in the virtuosity of the Fires of London for whom it was written. Maxwell Davies's *Sinfonia Concertante*, a commission for the Academy of St Martin's, is arguably the most satisfying and cogent product of his post-Orkney "symphonic" period, an abstract argument of extraordinary skill and fertile imagination.

Lutoslawski's third symphony, premiered in Chicago, just squeezes in by virtue of a Radio 3 broadcast within hours of the first performance; definitive pronouncement must await the European premiere by the BBC Symphony Orchestra in March, but in writing a virtuoso score for a virtuoso orchestra (the Chicago Symphony) Lutoslawski appears to have consolidated rather than explored. A couple of newish works at South Summer Music gave pleasure rather than purely cerebral satisfaction: HK Gruber's *Charivari*, a Viennese fancy with hidden, sombre depths, and Robin Holloway's *Women of War*, a revue for the Songmaker's Almanac of deftly woven texts and unfailingly grateful vocal lines.

Clarinet quintets/Wigmore Hall

David Murray

With the Coull String Quartet, Michael Collins appeared on New Year's Eve to play the clarinet quintets of Mozart and Brahms. That was not all: the Coull team began the evening with Schubert's early, friendly E-flat Quartet—a graceful performance, notable for the depth of tone they brought to the opening movement. In fact they offered nothing better in the rest of the concert. Perhaps they were too content to serve as polite accompanists, or perhaps they were over-awed by Collins' superior authority; at any rate it was very much his evening.

Tackling both the main chamber works for clarinet in one concert is of course a substantial challenge, and Collins was superbly prepared for it. He doesn't cultivate an extravagant range of tone colour, but his control of the finest shadings of dynamics is extraordinary. Phrasing and breathing were perfectly matched, long lines—especially in Brahms — beautifully sustained and shaped.

His Brahms deserved stronger, more imaginative support than the Coull strings supplied. His sheer expressive precision gripped one's attention even where the clarinet was temporarily playing second fiddle: what went on around him was decent, undramatic, distinctly stiff. The Mozart went better, and the strings found some suitable verve for the last two movements. As a whole, however, it was no more enlivened by wit than the Brahms had been by Romantic feeling. Everybody relaxed happily for the jolly Weber Rondo that they produced as an encore.

Thames Television playwright prize

A prize of £1,000 for the best play written under the Thames Television Playwright Scheme during 1983 has been awarded to Debbie Horsfield for her play *True Dare Kiss*, the centrepiece of a trilogy on the life and times of four modern young women.

The Liverpol Playhouse has also won £1,000 for staging the play, produced by Richard Brandon through the regional theatre trainee director scheme under the auspices of Thames TV.

Arts Guide

Dec 30–Jan 5

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: The week starts with the new production of Orpheus in der Unterwelt. It is produced by Götz Friedrich and has Julia Varady and Julia Migenes in the main parts. Die Meistersinger von Nürnberg has Rene Kollo and Ann-Marie Häggender. Don Giovanni, sung in Italian, has fine interpretations. The Magic Flute rounds off the week. (34381)

Hamburg, Staatsoper: Der Liebestrank brings together Guiseppe Taddei, Neil Shicoff and Kathleen Battle. Die Frau ohne Schatten has Lisbeth Balslev, famous for her rendition of the empress, and Gwyneth Jones, who delivers an outstanding performance. There was much acclaim for Arnold Schönberg's new production of Ein Überlebender aus Warschau / Die glückliche Hand / Die Jakobsleiter, shown for the first time in Hamburg. The three one-act operas are produced by Peter Mussbach and conducted by Christoph von Dohnanyi. (331151).

Frankfurt, Opera: Carmen is conducted by the young American Judith Somoghi and has Pari Samar in the title role. The new production of Die Trojaner by the controversial East German producer Ruth Berghaus is steered to triumph by Rachel Gettler and William Cochran in the leading roles. The Magic Flute convinces thanks to Elfie Hobarth brilliant as Queen of the Night. (25621).

Köln, Oper: Premiering this month is a new production of Falstaff by Michael Hampe. It has Walter Berry in the title role. Further performances are Hänsel und Gretel, die Fledermaus and Eugen Onagin. (20781).

LONDON

Royal Opera, Coliseum: The only operatic offering of the week is the Royal Opera's multi-lingual, crudely jokey and unstylish Die Fledermaus. Apart from a female Orlofsky, Doris Soffel, it is the mixture largely as before: Hermann Prey, Kiri Te Kanawa, Hildegard Heichele, Josef Meinrad. Placido Domingo, conducting, makes rather heavy weather of the score. (240 1066).

English National Opera, Coliseum: The Excursion of Mr Broucek, Janacek's uneven yet magically inspired opera fantasy, returns to the Coliseum with the same team – Gregory Dempsey in the title role, Charles Mackerras as conductor who brought it there in triumph a couple of years ago. The Traviata revival is notable for the Violetta (London debut in the role) of Nelly Miricioiu, one of the brightest young talents on the operatic scene. Last performance of the new Mireille, a disappointment to the eye but a delight to the ear. (836 3161).

Royal Festival Hall (928 3191): Festival Ballet in Nutcracker.

Royal Opera House, Covent Garden: Cinderella and The Sleeping Beauty.

Sadler's Wells, Rosebery Avenue: The Royal Ballet's version of Coppelia, followed by Giselle. This marks the 50th anniversary of Giselle at the Wells (Markova danced it first there on January 1, 1934). The attractive novelty of this season is the presence of the gifted Canadian, Evelyn Hart. (278 8916).

PARIS

Don Quichotte, Ballet in three acts to Ludwig Minkus's music, choreography by Rudolf Nureyev after Petipa, production by Nureyev. Decor and costumes by Nicholas Georgiadis, conducted by André Presser/John Lanchbery at the Paris Opera – Palais Garnier (266 5022).

Vive Offenbach enlivens the festive season at the Opera Comique – Salle Favart (296 0611).

Nikolais Dance Theatre with Nikolais, the genius of a juggler, at the Theatre de la Ville (274 2277).

Duke Ellington's Sophisticated Ladies – a musical by Donald McKayle and Michael Smuin at the TMP-Châtelet (233 4444).

ITALY

Milan, La Scala: Turandot conducted by Lorin Maazel, designed by Franco Zeffirelli with Placido Domingo and Katia Ricciarelli; L'Italiana in Algeri conducted by Claudio Abbado, designed by Jean-Pierre Ponnelle, with Paolo Montarsolo; Giselle conducted by Michel Sasson, choreographed by Giovanni Coralli and Jules Perrot with Carla Fracci, Elisabetta Terabust and Peter Schaufuss.

NEW YORK

Metropolitan Opera (Opera House): The first seasonal performance of Mahagonny accompanies Hansel and Gretel, with Gail Robinson as Gretel. Conducted by Thomas Fulton in a week that also includes Fidelio, with soprano Eva Marton as Leonore, conducted by Klaus Tennstedt, and Tristan and Isolde, conducted by James Levine with Hildegard Behrens as Isolde and Manfred Jung as Tristan, Lincoln Center (580 9830).

New York City Ballet (New York State Theatre): performances of The Nutcracker continue until the new year, which sees performances of The Goldberg Variations, Mozartiana and I'm Old Fashioned in a resumption of the mixed programmes of the season. Lincoln Center (870 5570).

WASHINGTON

Washington Opera (Terrace): Gian Carlo Menotti's The Medium and The Telephone, designed by Zack Brown, is staged by the composer with Sheryl Woods and Wayne Turnage in The Telephone, and Nadia Pelle, Beverly Evans and Francis Menotti in The Medium – both conducted by Lorenzo Muti. Kennedy Center (254 3770).

Music

PARIS

Radio-France – Nouvel orchestre philharmonique conducted by Uri Segal with Arleen Auger, soprano: R. Strauss – 5 Lieder for Orchestra, Mahler – Symphony No 4 (Thur) Théâtre des Champs Elysées (723 4777).

LONDON

Le Nouveau Quatuor with Utako Ikeda, baroque flute, Elizabeth Hunt, baroque violin, Mark Caudle, baroque cello, Paul Nicholson, harpsichord and Nigel North, lute. Telemann and Bach. Purcell Room (Tue). (928 3191).

Royal Philharmonic Orchestra conducted by Howard Williams with David Russell, guitar and Malcolm Binns, piano. Falla, Bizet, Rodrigo, Chabrier and Ravel. Barbican Hall (Wed). (638 8891).

Varèse Ensemble conducted by Martin Pring. Works by David Bedford, Tim Ewers, Gregory Rose, Walter Fabeck and Harrison Birtwistle. Purcell Room (Thur).

ZURICH

Tonhalle: Hanni Schmid-Wyss, piano (Wed); Werner Baertschi, piano. Haydn, Nielsen, Liszt and Beethoven (Thur).

NEW YORK

New York Philharmonic (Avery Fisher Hall) Kurt Sanderling conducting, Shlomo Mintz violin. Moussorgsky, Shostakovich, Prokofiev, Schubert (Tue); Kurt Sanderling conducting. All-Mahler programme (Thur). Lincoln Center (874 2424).

WASHINGTON

Concert Hall National Symphony Pops programme (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall) Claudio Abbado conducting, Ken Boda piano. Beethoven, Mahler (Thur). (435 8111).

Forecasts 1984

The start of a week-long series of articles, analysing the outlook for the world economy and individual industrial sectors

A step back from the precipice

ENERGY
IAN HARGREAVES

TO ENERGY industry people blooded in the ferocities of 1973 and 1979, 1983 was the kind of year they had begun to suspect didn't happen in energy.

It was a year without crisis. Although the rattle of the guns in the Iran-Iraq war was always close enough to threaten cataclysm, none actually occurred. Even when Iran said it might block the entrance to the Gulf, the oil market scarcely blinked.

The oil price ended the year at around the $28 a barrel mark, almost $5 down on the October 1982 levels. But just as talk about another price explosion being caused by the Gulf war was dismissed as scaremongering, by the year end fears of a price collapse had also eased. At its December meeting, Opec decided to try to go on defending its official price of $29 a barrel, in the context of unchanged production quotas.

"The price could move a dollar one way or the other in 1984," says Dr Ulf Lantzke, executive director of the International Energy Agency, "but basically I don't believe in any spectacular price change for 1984."

Sir Peter Walters, chairman of BP, says that the de-stocking which took place last year is unlikely to be repeated in 1984. "I think the supply-demand position is happier than it was a year ago. Opec has looked over the precipice and drawn back," he says.

Sir Peter Baxendell, chairman of Shell Transport and Trading, also thinks that in terms of the market, the sky is lightening. "1984 is expected to be the first year since 1979 in which oil demand does not decline—and we could even see a small increase," he suggests. In the second half of last year U.S. oil demand rose by about 2 per cent—the first semi-annual rise for five years.

Oil company quantifications of this year's rise in demand range from 0.3 to 3 per cent, with the IEA plumping for 1.8 per cent, or 45.1m b/d. But, warns Dr Lantzke, with non-Opec production still rising, that does not necessarily mean an end to Opec's problems. "We could well see a situation where demand for Opec oil is just stable."

Texaco, in its latest free world energy survey, suggests that total energy demand will rise at an annual rate of 2.4 per cent between 1982 and 1990 to 113.3m b/d of oil equivalent, but like most other forecasters it sees oil continuing to lose market share. In the Texaco projection, oil grows 1.1 per cent a year, gas by 2.6 per cent, coal by 3.9 per cent, nuclear energy by 8 per cent and hydroelectricity by 1.9 per cent.

There are, however, obvious uncertainties especially about gas, where there has been a sudden shift in the supply-demand balance. The first gas from the new Soviet pipeline will flow into Germany early this year, but at the same time the European market is faced with a number of other hungry suppliers.

Algeria, having overpriced its gas and then lost much of its American business, will now have a lot to sell. Nigeria is pressing ahead with ambitious liquefaction and transport plans. Norway is trying to find a contract customer (most likely British Gas) for the output of its large Sleipner field, while in the British sector of the North Sea, a number of influential voices continue to insist that with the recent rise in contract prices, once marginal gas fields suddenly look attractive. Even the Netherlands looks likely to abandon its reserve conservation policy and to start looking again for contracts.

For the oil industry, 1984 promises to be a year dominated by some familiar questions about corporate structure, downstream rationalisation and investment.

According to the BP chairman, "the industry has substantially got its philosophy in order, but it still has not really squeezed capacity to a point where the philosophy will result in adequate returns."

Refineries throughout the world are still operating at well below reasonable capacity levels. DRI, the consultant, forecasts that in the 10 European Community countries, refinery utilisation will still reach only 70 per cent by 1990, having been 61 per cent in 1983 and 58 per cent in 1982. So there is a need for more closures, at the same time there is need for investment in more sophisticated cracking capacity to adjust to the still rapidly falling demand for heavy fuel oil.

Problems in the European oil product market will not be made any easier by the emerging impact of Middle Eastern, especially Saudi, refined products at the same time as some Arab oil exporters, notably Kuwait, have made significant investments in their own downstream and marketing facilities in Europe.

As for oil production, exploration and development activity has picked up sharply in the last year in several non-Opec countries, encouraged in the case of Britain by a far-reaching series of fiscal changes.

The number of drilling permits taken out in the first nine months of last year in the U.S. was 2.6 per cent up on the same period of 1982, although the average rig count for the year at 2,232 was down 28 per cent on 1982, according to Hughes Tool.

The challenge for the next phase of North Sea development, where companies are having to put in investment equivalent to that of the Forties field for a tenth of the potential oil reserves, will be sufficiently tight project management to ensure that schemes are profitable without any windfall from rising oil prices.

Outside the oil and gas sector, change occurs more slowly, but the picture at the beginning of 1984 is far from static.

Electricity demand has already started to pick up quite strongly with economic growth, promising over a period of years a mopping up of the world's excess capacity.

Most forecasters concur that coal will benefit greatly from the next generation of power investment. Added to an expected breakthrough for coal in the industrial boiler market (as oil-fired units come up from replacement in the 1990s), coal is expected to enjoy a significant improvement in market share.

Conoco puts coal's share of world energy consumption at 25 per cent by the end of the century (against 20 per cent), although as coal investors know only too well, the scale of world overcapacity, leading to weak prices, makes such forecasts of dubious value for near-term practicalities.

Nuclear power continues to show well on the market share projection charts—rising from 4 to 9 per cent by 2000, in Conoco's version—but most of this is on the basis of pre-Three Mile Island U.S. investment.

As several utility companies stagger and possibly even collapse beneath the burden of these nuclear projects, the prospects for a second generation of plants in the U.S. looks as remote as ever.

As for alternative fuels, industry and governments have for the most part become bored with projects whose economics looked interesting on the extrapolations of 1975 or 1980 but which are now very much on the back burner. With a consensus that the $29 barrel will last for a while at least, 1984 is not going to be a good year for the wind, the waves or the sun.

1984 OIL MARKET FORECASTS

	1979	1980	1981	1982	1983	1984
Oil consumption (m b/d)	52.0	49.2	47.1	45.0	44.3	45.1
Opec production	31.6	27.6	23.5	19.8	18.2	n/a
(as per cent of total consumption)	(61)	(56)	(50)	(44)	(41)	n/a
OECD oil stocks (days consumption)	69	84	96	99	101	90

Source: International Energy Agency.

A state of worldwide upheaval

ELECTRONICS
GUY DE JONQUIERES

FORECASTING OF any kind is a difficult business in an area of economic turbulence. In a cluster of industries as precocious, as volatile and as protean as electronics and information technology, it can be hazardous in the extreme.

Events of the past 12 months have forcefully underlined the point. This time last year, the world semiconductor industry was stuck in the slough of despond. Among the moguls of California's Silicon Valley, the consensus was that there was no end in sight to the slump and severe price-cutting which had been under way since early 1981.

Before the end of the second quarter, however, the conventional wisdom had been overtaken by a sudden surge in business worldwide, as electronic equipment manufacturers enjoyed an unexpectedly sharp recovery. At first, the semiconductor companies could not believe their own numbers. By the end of the year they were still scrambling to add capacity to meet record orders from almost every category of customer. Most now believe the momentum will continue well into 1984.

Meanwhile, another widely-held assumption was rudely shattered in the personal computer market. A year ago, the fashionable view was still that personal computers were an exuberant kindergarten in which only nimble and youthful entrepreneurs could flourish.

That, however, was before IBM took the U.S. market by storm. By late summer—less than two years after launching its personal computer — the world's leading manufacturer of large machines had established itself as the undisputed market leader, thrusting many of its smaller rivals, including such champions as Apple, into disarray.

IBM has not yet performed its giant-the-jack-killer role in Western Europe, where markets are less well developed and more fragmented than in the U.S. But then, it has so far channelled its European personal computer sales chiefly through independent dealers. Its own marketing force will start pushing the machines in volume this year and demand from large users of IBM mainframe equipment, such as major commercial banks, should ensure healthy sales.

What is happening in the U.S. —and may soon happen in Europe—is that the personal computer industry is maturing at a startlingly early age. A shakeout is under way, which seems likely to leave much of the market concentrated in the hands of relatively few large suppliers. In the motor industry, the same process was spread over several decades.

There will, doubtless, still be niches for imaginative entrepreneurs, particularly in the markets for peripheral equipment. But access to the right distribution channels and the availability of a wide choice of high quality software and good customer support seem likely to be more important conditions for long-term commercial survival than sheer gee-whizz product innovation.

Meanwhile, IBM's resurgence seems likely to continue to disconcert its competitors in an increasingly wide range of markets. Since the U.S. Government dropped its anti-trust case two years ago the company has gone into overdrive worldwide. It has aggressively stepped up its marketing effort, accelerated product introductions and formed strategic alliances with other companies including Intel and Rolm in the U.S. and Matsushita in Japan.

It has launched a volley of legal actions against other Japanese manufacturers of large computers for theft of secrets and copyright violations. Its American and European rivals object that IBM's keen pricing and alleged manipulation of vital technical information about its products make it increasingly hard to compete.

In spite of their complaints, IBM seems immune from any revival of anti-trust proceedings in the U.S. for the foreseeable future. But it is more sensitive about its position in Europe, where the EEC Commission is likely to bring its protracted competition case against the company to a conclusion this year. A Commission ruling against IBM could invite a torrent of private lawsuits for its rivals.

For the telecommunications industry worldwide, 1984 promises to be an eventful year. In the U.S., it has opened with the formal dismemberment of American Telephone and Telegraph into eight separate companies. Much turmoil is likely to accompany this massive upheaval, as millions of Americans adjust to a future without "Ma Bell," in which local telephone tariffs seem set to rise sharply and the quality of residential service may decline.

But it is the recent sweeping deregulation of the U.S. telecommunications industry which will have the strongest impact on the rest of the world. The transformation of American telecommunications from a public service into an intensely competitive market is unleashing powerful forces which will reverberate overseas.

Powerful forces have been unleashed in the U.S. to reverberate outside.

Already, A T & T has stepped onto the international scene by forming a joint venture with Philips of the Netherlands to sell public exchanges. It has bought 25 per cent of Olivetti of Italy to strengthen its position in private exchanges and office equipment. Other U.S. companies will undoubtedly follow, their commercial edge sharpened by the competitive disciplines of their huge domestic market.

That is bound to add to the growing economic and commercial pressures which are already prompting a restructuring in Europe's fragmented industry.

The most prominent recent example is the planned merger of the telecommunications businesses of CIT Alcatel and Thomson of France, which has concluded that it is unable to support two major national suppliers.

France is seeking to open its telecommunications market to other European countries on a reciprocal basis. It has reached a limited agreement with West Germany and hopes to reach another with Britain. It is expected to use its EEC presidency in the first half of this year to press for further steps to remove internal Community trade barriers and stimulate industrial collaboration in the field of information technology.

The French chances of achieving substantive breakthroughs in the coming months must be rated cautiously, however. Most EEC governments remain wedded predominantly to national information technology policies, and the one EEC major initiative in this field, the Esprit research and development project, remains blocked by disagreements over funding.

European electronics companies continue to show a marked preference for alliances with U.S. and Japanese partners rather than with each other. Nor is it particularly encouraging that the recent attempt by Philips and Grundig to mount a joint European riposte to Japan's thrust in videorecorders seems to have fallen flat, even with the support of extensive EEC trade protection.

In Britain, this year will see some key developments in information technology policy. The Government must decide soon on the future of Inmos, the microchip manufacturer, which will need extra financing on top of the £100m in public funds which it has already received. A takeover by an industrial group is the favoured solution. But it is unclear whether any UK company will make an acceptable offer, and a sale to a foreign bidder could prove politically controversial.

Later in the year, the Government is due to undertake an even more formidable privatisation exercise—the sale of 51 per cent of British Telecom. The flotation is planned for October, after legislation creating a new regulatory framework for telecommunications has received the Royal Assent.

TECHNOLOGY

EDITED BY ALAN CANE

FT WRITERS ASSESS PROGRESS IN AEROSPACE, ALTERNATIVE ENERGY, AUTOMATION AND COMPUTERS

When fiction turned to fact

SCIENCE FICTION has a tendency to fact. This applies particularly to developments in space technology over the past 12 months.

- The U.S. and the USSR both drew nearer to keeping people permanently in space in orbiting stations.
- Two American companies demonstrated the first prototype of a commercial space factory that would turn out exotic substances above the atmosphere.
- A group advising the U.S. Government published a "Star Wars" plan for a $100bn system of spaceborne laser weapons.
- An international conference finished work on parcelling up volumes of nothingness in an orbit 36,000 kilometres above the earth so that countries can gain their fair share of satellite slots.

In a year that saw space technology step further away from experiment and toward hard-headed commercialisation, the dottiest scheme was put forward by President Reagan.

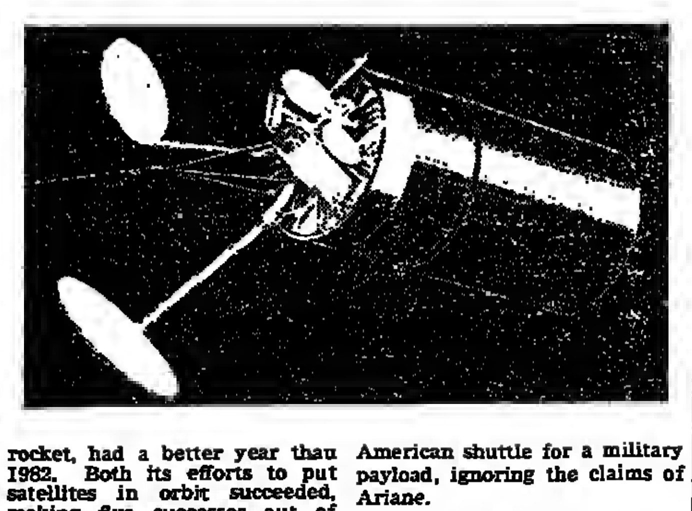
He approved a proposal to sell to industry the U.S.'s system of weather satellites. Critics pointed out that this could entail hiving off archives, computers and meteorological stations.

Later in the year, the scheme was blocked in Congress.

Another reminder that space is big business was the plan by France to spend some U.S.$400m on remote-sensing satellites that should give a commercial service in 1985. The Spot spacecraft will zoom over the Earth several times a day to provide pictures with a resolution of as little as 20 metres.

The project worried satellite experts in the U.S. where the country's own remote-sensing satellites, the Landsat series which started in 1972, have still to find a sponsor from private industry.

The two space shuttles owned by the National Aeronautics and Space Administration went from strength to strength. During 1983, they journeyed into space four times. In November, a space shuttle carried into orbit the European Space Agency's Spacelab, a reusable orbiting laboratory, in a mission of 10 days.



Ariane, Western Europe's rocket, had a better year than 1982. Both its efforts to put satellites in orbit succeeded, making five successes out of seven attempts.

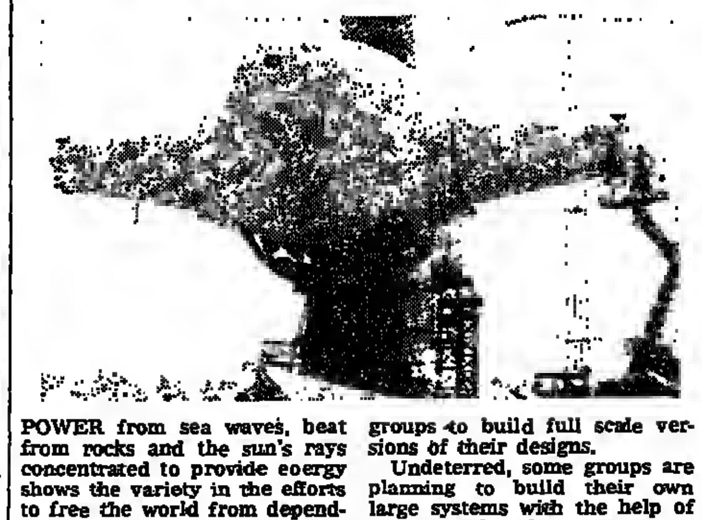
International rancour was never far from the headlines. The U.S. would not sell China receiving hardware for remote sensing satellites. Defence officials in the Pentagon said the equipment could have military applications.

Britain and France fell out after the former ordered the American shuttle for a military payload, ignoring the claims of Ariane.

And the U.S. and the Soviet Union refused to discuss any collaboration in outer space. America, however, started to climb away from the other superpower in one area. During 1983, the number of people who have entered orbit on U.S. spacecraft totalled 66, one more than the tally for the USSR.

PETER MARSH

Energy—the alternatives



POWER from sea waves, heat from rocks and the sun's rays concentrated to provide energy shows the variety in the efforts to free the world from dependence on oil.

To some extent, the slow rise in oil prices has delayed the growth in alternative energy and the time when it competes effectively with coal, oil and gas.

For wave power developments in the UK, 1983 was a disappointing year as the government decided not to provide major funds to allow research groups to build full scale versions of their designs.

Undeterred, some groups are planning to build their own large systems with the help of private, rather than government funding. The National Engineering Laboratory in Scotland will soon make a final decision on its plan to build a £12m full-scale version of its design to provide power to the Isle of Lewis in the Hebrides.

Countries such as Japan and Scandinavia are also keenly interested in wave power and there may be a large export potential for full size machines in the future. However, wave power is unlikely to become economic until the 1990s and beyond.

Solar power, on the other hand, has already proved to be an effective competitor with fossil fuels. Originally developed to provide power for equipment aboard spacecraft, photovoltaic solar cells which generate electricity directly from sunlight, are now used to power such earthbound things as unmanned radio stations and small communities in the hotter and remoter parts of the world.

The latest development is to bring solar power to the milder climates. For example, a U.S. Government funded experiment now underway in the New Mexico desert use molten salt to collect and store the solar energy focussed onto it by a field of solar collectors. This year France will use a molten salt tower called THEMIS in trials on the south of France.

Also in France, as in the UK, researchers are hoping to tap an energy source which lies beneath our feet. This is geothermal energy—the heat which is stored in rocks far below ground. In Britain, the Camborne School of Mines is carrying out crucial tests over the next three years to see if geothermal energy has potential.

Geothermal energy is already an important source of heat and power around the world with more than 2,000 Mw used every year. Iceland—a land of hot geysers—depends on this form of energy for about 70 per cent of its total energy needs.

The wind has also made a comeback over the past few years. In the UK, at least, it has become the most promising of all alternative energy forms. Next year a 1 Mw wind generator will be constructed in the Orkneys.

The U.S., Sweden and West Germany have also large scale wind generators under test and even countries such as China are looking at its application in remote areas when connection to large electricity grids is unfeasible.

ELAINE WILLIAMS

Integration on the factory floor

THE ACRONYM of 1983 in manufacturing must have been CIM — computer integrated manufacturing — although it must be assumed there are many boards of directors still wondering if such ideas look better on paper than on the shop floor.

CIM is today's perception of the 1954 idea of "automation," in which the first computer gurus foresaw a single, central computer controlling all the activities of a factory.

Society in general baulked at that, but as the years went by, the minicomputer began to sprout at isolated places on the factory site. Management aids like production scheduling and bill of materials processing were followed by numerically controlled machine tools. Then came computer aided design, engineering, and manufacturing (CAD, CAE and CAM), automatic test equipment (ATE) and, in more recent years, the robot.

The latest idea is FMS, the flexible manufacturing system, in which yet another computer controls the progress of a variety of manufactured products of the same general kind down a production line. Any one of them can be made on demand to fulfil incoming orders almost on the spot.

Unfortunately for the West, the Japanese are taking this sort of thing very seriously, and 1984 is the year in which a major MITI (Ministry of International Trade and Industry) FMS project is due for completion. It appears to embrace everything from design to test and inspection, and even includes new hot metal forming processes. These make metal blanks from powder as near to final size as possible, reducing metal removal machinery to the bare minimum.

Worldwide, there are about 100 FMS systems running and in the UK in 1983 about 100 firms applied for grants under the Department of Industry support scheme. Over half have received funds from the £10m the Government has allocated.

In addition, the 600 Group's £3m SCAMP system went on show; new systems appear in France, Italy and Germany.

What has been increasingly realised during 1983 is that there are a growing number of computer-aided or driven "islands" that might well be allowed to "talk" electronically to each other.

Computervision, GE of the U.S. and Schlumberger took the lead in this in 1983, but is evident that before long the CAD/CAM/CAE companies, robot makers, machine tool/FMS companies and test equipment manufacturers will need to put their heads together over communications standards and protocols.

Last year Teradyne, GenRad and Marconi Instruments announced networking for their tester products that allows test, repair and management workstations to communicate with each other and with CAD/CAM terminals via a common database held on disc. It is another clear move towards CIM.

CIM is based on the idea of a common, relational database that starts with the designer's input and is added to by manufacturing, test and other production departments—but with the facility that if say, a dimensional reduction means a part is overstressed, the system will say so.

During 1983 Calma (GE) for example, introduced a 32-bit CAD/CAM/CAE system that has CIM potential in that it works over Calmanet, which can in turn be connected to office systems deploying Ethernet and also to GE's existing broadband factory floor communications system, GE-Net.

CAD market leader Computervision began to look even more formidable in 1983 by announcing an agreement that gave it access to IBM's acknowledged expertise in relational databases, while IBM will supply it on an OEM basis with suitable machines for database processing.

But the problem for CIM remains: too many managers see it only in the hope of relatively quick financial viability, rather than as a strategic tool that can alter their companies' basis of competition in the market place.

GEOFFREY CHARLISH

Dispersed, but together at last

IT WAS the year that Trojan Horse, the professional personal computer, became the multi-function workstation and brought a whiff of reality to distributed processing.

The notion of dispersing computer intelligence through an organisation—it could as easily be a country as a company—so that individuals have sufficient computer power for their needs with quick and easy access to the files stored on the central mainframe is as old as computing itself.

Yet it has failed to make its expected impact because of the high cost and complexity of the hardware and software involved—and because of a reluctance on the part of users to accept the concept (and the price) of the electronic workstation.

At its most sophisticated, such a workstation would be able to handle voice, data and pictures, substituting totally for the conventional office desk top, filing trays, telephone handset, typewriter, calculator and facsimile machine. The workstation screen itself would substitute for the desktop, carrying images of documents and working papers.

But nobody is offering the all-singing, all-dancing electronic workstation, and even if they were, it is doubtful whether there would be many takers. The advent calendar leading to the office of the future will have many windows and executives and management will open them only reluctantly.

But in 1983, the acceptance of the personal computer as the *de facto* multipurpose workstation, aided without a shadow of a doubt by the fact that IBM was determined that its own personal computer should fill that role was a major step forward.

So expect a flood of "dedicated" workstations this year, each one of them a personal computer dressed in special livery; so for example, Navidyne, a marine electronic equipment company based in Newport News, Virginia, its MC-6800 marine computer, packaged against vibration, shock and radio frequency interference, but still unmistakeably an IBM PC.

The banks should follow suit with "treasurer's workstations" already a feature of electronic banking in the U.S.

The full power of these intelligent computer terminals on the desk will be realised when there is complete convergence between data processing and telecommunications—or at least when telecommunications uses computer technology for transmission.

Which partly explains the new surge of interest in integrated services digital network (ISDN), the intelligent telephone network of tomorrow. It implies the integration of all information flows through common interfaces and networks—and is still a far distant prospect. A report sponsored by British Telecom and written by Joan de Smith Systems suggests it will be at least 1985-1986 before standardisation makes ISDN facilities a practical proposition in many countries. Japanese plans are for complete integration of telecommunications, computer transmissions and video by the year 2000.

A further example of convergence which should come to maturity more rapidly than ISDN is interactive video, which seems to have limitless potential. The convergence is between computing and video in the form of the video disc whether eraseable or not.

Its uses include entertainment — in the U.S. interactive videodisc-based games are storming the arcades as customers queue to try their hand as the hero is swashbuckling adventures played out on videoscreens.

It has massive potential in education and training where the storage capacity of the videodisc means that countless variations on a theme — say a golfer's swing or an artist's brush stroke — can be captured, analysed and used to illustrate faults and good form.

The laser disc by itself seems certain to steal a major part of the computer memory market over the next few years; coupled with computer intelligence, it looks as if it will open up a whole new technological vista.

ALAN CANE

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Tuesday January 3 1984

The Atlantic gets wider

FOR MORE than 40 years the Atlantic Alliance has been the central fact of Western political life. The partners might quarrel at times, as over Suez, or more recently over trade issues, but such differences could never threaten the fundamental ties which bound us. Now, however, in 1984, the cohesion of this grouping can no longer be taken for granted. It will endure only if we work at it. The common belief in parliamentary, pluralistic democracy survives, and stands as justification for any effort which may be needed.

Common interest

On the more material questions of defence and economics, however, it is by no means so clear that we are bound by a common interest. The American shield now looks, to a significant and vocal minority, more like an American threat. The American economic locomotive has been pulling unexpectedly vigorously for nearly a year; but there has been little perceptible effect in Europe, and in currency terms at least it is now fashionable to talk of "decoupling."

In military and economic terms, then, the Atlantic appears to be getting wider—and this appearance is not deceptive. The Reagan administration, simply by being outspoken about doctrines of tactical counter-strike which were in fact first adopted by President Kennedy, has brought doubts which used to be confined to the experts into the popular political arena. The nuclear side of the Alliance no longer has bipartisan support either in this country or in West Germany.

The arrival of a new generation of weapons has, as always, brought the peace campaigners out in strength, and the breakdown of the arms control talks in Geneva has helped to arouse more general disquiet. It would be unwise to bank on a breakthrough in Stockholm. Although the Americans seem anxious to secure some real progress, decision-making in Moscow is hampered by President Andropov's illness.

This does not mean that Europe can only sit by and wring its hands. On the contrary, the European leaders, secure in office and much closer together on global issues than they are on parochial ones, are well placed to take a lead in lowering the temperature. This involves a more distinctive European contribution to Nato strategy—based perhaps on an effort to evaluate Soviet strength more realistically. It involves also a deliberate effort to get talking on all negotiable issues.

The second is the more important of the two. The most disturbing result of the American determination to negotiate arms control from strength has been the breakdown of contact on virtually all non-defence issues, for the dialogue of peace cannot be conducted indefinitely in threats. Russia's self-confessed economic weakness is, in fact, an important opportunity for the West, as the European business community has always recognised, but it will take courage to speak up for constructive contacts.

Courage and vision may also be needed to tackle the economic problems that still beset us. Here the Atlantic has in one sense genuinely got wider. The American locomotive has failed to restart the European economy, mainly because it is already decoupled. Some 85 per cent of the growth of American imports since 1980 has been from the Pacific rather than Europe and Africa. Even a sustained U.S. recovery—which cannot be taken for granted—will do only limited good on this side of the Atlantic.

Debt crisis

Given this fact and the further fact that the dollar exchange rate has much less effect on European inflation than was once feared—the oil price, for example, has European units of accounts since it was fixed at $34—it is tempting to decouple in earnest and pursue purely European economic objectives. It is not as simple as that, however.

The financial system remains integrated, the debt crisis threatens the whole of that system and its consequences in the third world are not only economically damaging but, as Nigeria shows, politically unpredictable. The European governments should take a lead in seeking more constructive means of adjustment and better ways to ensure that domestic policy errors such as those of the U.S. do not cause international disruption. If we allow our internal squabbles over farming and finance to monopolise our attention, the task in 1985 could be much more difficult.

Impatience in Nigeria

THE New Year's Eve military coup in Nigeria is a blow to hopes for democratic government in Africa. The Nigerian experiment, barely four years old, represented the most important and vigorous example of a multi-party system on the continent. Its demise comes before it had really had a chance to prove itself.

Undoubtedly, the Nigerian system was far from perfect. The marathon five-week long series of elections in August and September was marred by violence, disorganisation, and allegations as well as evidence of widespread ballot-rigging and falsification of results. But the outcome, at least of the presidential election won by Alhaji Shehu Shagari, was very widely accepted as a fair reflection of the popular will. It was only in the subsidiary polls for state governors and senators that some of the more blatant abuses of the system seem to have occurred.

Scrupulously fair

What democracy has meant for Nigeria has been an excellent record on human rights—it is one of a handful of African states without political prisoners—an outspoken Press, and enthusiastic political debate. A painstakingly-constructed if somewhat cumbersome constitution, based on the U.S. model, has ensured a balance between the strong regional and tribal loyalties which resulted in the disastrous civil war of 1967-70.

President Shagari was scrupulously fair in his allocation of central government cash to the 19 states, regardless of political loyalties. He had also publicly committed his party to a system of rotating the leadership which would have produced a southern presidential candidate in 1987, although its greatest support was in the north.

The biggest blow to the civilian government was beyond its control: the slump in the international oil market. That exposed the structural weakness of the Nigerian economy, with its overwhelming dependence on one commodity. However, the problem was exacerbated by the administration's weak economic management, its delay in taking the necessary austerity measures, its poor capacity for policy implementation, and failure to tackle widespread corruption which undermined its policy decisions.

Previous military governments in Nigeria do not have an appreciably better record on most of these issues than the Shagari administration. They were also corrupt, and they were responsible for embarking on the course of excessive spending on unproductive prestige projects which has drained the economy of its oil generated surplus.

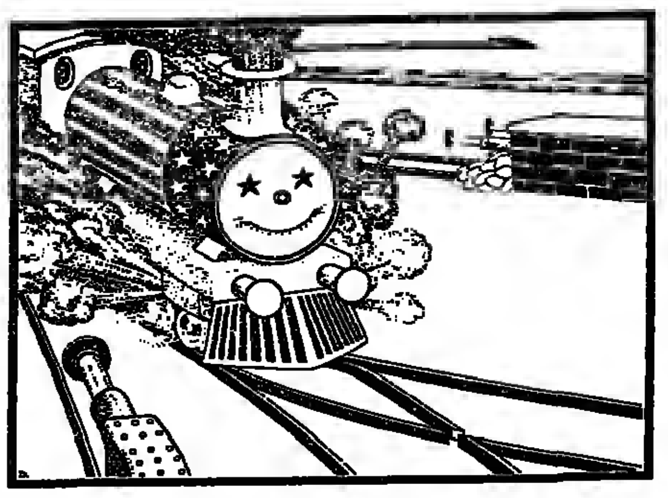
Enormous challenge

Maj Gen Mohammed Buhari, the head of the new military council, has made sensible statements in his initial broadcasts, stressing the importance of coming to terms with the economic problems of the country. He showed realism in warning against excessive expectations, and sought to reassure the international community that his government would "do its best" to settle genuine payments to which its predecessor was committed. The lack of bloodshed so far is a great relief, although it is still too early to say that the takeover is complete.

The soldiers' seizure of power indicates that they believe they can do a better job than the civilians, both in economic management, in rooting out corruption, and in improving living conditions for ordinary Nigerians. That is an enormous challenge, and one for which they were not prepared to give President Shagari the benefit of the doubt. They must expect to be judged on results, and sooner rather than later, for they have shown themselves to be impatient men.

Forecasts 1984

The dollar, deficits and defence



THE U.S. ECONOMY

By David Hale

THE U.S. economy is now entering the second year of a new business expansion after what has been a remarkably typical first year of recovery.

Real GNP has expanded by about 6.5 per cent since the fourth quarter of 1982, or by about as much as in previous post-war recoveries. The composition of the recovery has also been very similar to past upturns; most of last year's growth was concentrated in housing, inventories and consumer expenditures on durable goods.

As in past recoveries, the flexibility of the U.S. labour market has encouraged a large rise in employment which is still generating powerful income and consumption multiplier effects throughout the whole economy. During the past 12 months, the U.S. economy has created 3m jobs, or more than all of Western Europe since 1970.

There is no uniform pattern of economic performance during the second year of U.S. business cycles comparable to the sharp upturns which typically occur during the first year. Excluding the aborted recovery in 1981, second year expansions have been as weak as 1.7 per cent (1959) and as strong as 7.0 per cent (1972). Everything has depended upon public policy.

As 1984 is a Presidential election year, there is widespread agreement among U.S. forecasters that government policy will continue to support economic expansion.

The federal budget deficit will be equal to 5 per cent of GNP

Corporations have a strong incentive to invest

this year compared to an average of only 0.8 per cent during the second year of earlier post-war recoveries. Growing state and local government cash surpluses will partly offset federal borrowing, but fiscal policy will still be unusually stimulative for the second year of an expansion.

The Federal Reserve permitted a moderate interest rate rise during the second half of 1983, but it is trying to fine tune moderate growth, not stop the recovery altogether. Mr Paul Volcker, the Fed chairman, was still haunted by memories of 1980, when a surprisingly robust recovery forced him to let interest rates rise immediately before the presidential election.

Some analysts fear that the sharp slowdown of M1 growth since July will soon trigger renewed economic weakness, but Mr Volcker does not trust the monetary data.

While rapid expansion of M1 preceded the 1983 recovery, M1 velocity is volatile and overdue for a rebound. The growth rates of the wider monetary and credit aggregates are on target. The Fed's own staff has been underestimating the economy's resilience since the recovery began.

The Federal Reserve's management task also has been complicated by the impact of financial deregulation on the economy.

The deregulation of retail savings and checking accounts is encouraging banks and thrifts to become much more aggressive at promoting variable rate mortgages. These new instruments typically offer substantial interest rate concessions during a loan's early years in order to tempt homebuyers away from traditional fixed rate mortgages.

The increasing acceptance of variable rate mortgages will make it possible for the housing industry to sustain higher levels of activity in the face of rising interest rates than would have been possible previously. But the price of this innovation is a further erosion of the Federal Reserve's ability to regulate the U.S. economy through gradual interest rate changes.

Moreover, the U.S. tax system continues to provide consumers with strong incentives to borrow. Between 1963 and 1980, inflation-induced bracket changes increased the average U.S. marginal income tax rate from 23 per cent to 30 per cent.

Adjusted for inflation expectations and income tax, real consumer interest rates in the U.S. are not much higher today than they were during the 1950s. They are only high compared to the abnormally low real interest rates which prevailed during the 1970s.

U.S. capital spending is also less vulnerable to high interest rates than before. As a result of the profits recovery and depreciation changes enacted by Congress during 1981, companies will be able to finance a large rise in capital expenditures this year with internal funds.

During the final three quarters of 1983, real business fixed investment increased at an 11 per cent annual rate. During 1984, it could easily increase by 8-10 per cent.

Much of the capital goods recovery was initially concentrated in transportation equipment, computers and office machinery. High tech items now account for about 35 per cent of all U.S. investment expenditure compared to 15 per cent in 1975. But recently the investment revival has broadened out to include such laggard sectors as industrial machinery and commercial construction.

Corporations have a strong incentive to invest because industrial production passed its 1981 peak during October and capacity utilisation rates are now at 79 per cent compared to 85 per cent at the business cycle peaks of 1974 and 1980.

While the U.S. economy finished 1983 with strong forward momentum, the outlook for the New Year is not totally free of risks.

First, there is some danger that business confidence is improving too quickly. In the second year of earlier post-war business cycles, the U.S. economy's growth rate often slowed to the 2-3 per cent range for several months because of excessive inventory accumulation after the surprise rebound in final demand during the first year.

During mid-1976, for example, there was a sub-cycle of weak growth, including a few months of declining leading indicators, which helped to undermine President Gerald Ford's re-election effort by creating the misleading impression that the economy was sliding back into recession.

Since surveys show business confidence to be at high levels, the risk of the 1976 sub-cycle experience being repeated this year is not insignificant.

Second, there are increasing signs that the U.S. inflation rate is rising again. The three-month rate of exchange for CPI commodities less food and energy is already above 6 per cent. Food prices will probably rise by 5-6 per cent during 1984 compared to 2.5 per cent during 1983. Only energy prices are still disinflating.

The upward pressure on U.S. prices reflects traditional cyclical factors. Capacity utilisation rates have increased by 16 per cent since 1982. Adult male unemployment has fallen sharply. In the first half of 1983, more than 50 per cent of the workers covered by collective bargaining settlements actually accepted pay cuts or pay freezes.

In 1984 increased competition for skilled workers and renegotiation of labour contracts will push aggregate wage growth into the 6-7 per cent range from 4-5 per cent last year. Productivity also tends to deteriorate as expansions mature, so firms will have to raise prices in order to improve profit margins. The Federal Reserve will not abort the recovery because of 5-6 per cent inflation, but it will tighten periodically in order to keep price expectations under control.

The U.S. economy's third major area of vulnerability during 1984 is its increasing dependence upon foreign borrowing. The dollar has been so strong for so long that many analysts have stopped predicting that it ever will decline. But the great imponderable in the outlook is how long the U.S. can sustain a balance of payments profile which would trigger a currency crisis in any other country.

The U.S. current account deficit will probably be $80-$90bn in 1984 compared to $35-$40bn in 1983 and a previous record of $15bn during 1978. The U.S. will have to borrow sums equal to 2-3 per cent of nominal GNP this year in order to finance 4-5 per cent real growth.

So far this has been relatively easy. LDC bank lending has collapsed. Japan has a big savings surplus. World political tensions have created a large external demand for dollar financial assets.

The international economic consequences of the Federal Reserve's post-1979 experiment with tight money have inadvertently returned the U.S. to a status which it last enjoyed during the 1960s; that of a reserve currency country operating autonomously of any exchange rate constraint with a balance of payments deficit absorbed by foreigners as a quid pro quo for military protection.

Large capital inflows have made it possible for the Reagan Administration to finance its defence programme and budget deficits without imposing any sacrifices on the American people, either in terms of increased taxation, higher domestic savings, or a rapid resurgence of inflation.

The strong dollar has damaged the competitive position of U.S. manufacturing industry but in 1983 this was offset by the beneficial consequences for domestic demand of an overvalued exchange rate and foreign borrowing, especially in those sectors not producing tradable goods (housing) or enjoying import protection (cars). Indeed, consumer expenditures, the full employment budget deficit and foreign savings are currently at post-war highs as shares of GNP while defence spending is at a ten-year high.

The U.S. has become borrower and spender of last resort in the world economy by default. But while the new international economic equilibrium is highly beneficial for the living standards of the American people, it cannot be sustained indefinitely.

In the 1960s period of dollar hegemony, the U.S. payments deficit was concentrated in the capital account. As General de Gaulle constantly complained, it was partly self-financing because the U.S. was purchasing income-producing assets in other countries. The U.S. payments deficit is now concentrated in the current account. As external borrowing to finance it grows, the traditional U.S. surplus on investment income will shrink and the current account deficit will expand, requiring even larger capital inflows to sustain the exchange rate. Indeed, if the current account deficit merely stays in the $50bn-$60bn range through 1987, the U.S. will again become a net debtor nation on recorded transactions for the first time since 1917.

How long can this process continue? At present only small increases in U.S. interest rates appear necessary to reconcile the increasing commercial supply of dollars with investment demand. But, as 1984 progresses, foreign investors may demand substantially higher interest rates as compensation for the risk of future dollar weakness. The yield on long-term U.S. Treasury debt is already above the yield on British gilts for only the third time in this century.

In fact, the quality of U.S. capital inflows has recently begun to deteriorate. In 1982 and early 1983, foreign direct private investment and security purchases completely offset the U.S. current account deficit. In recent quarters, the deficit has been financed by bank borrowing and speculative money flows.

As a result of the increasing U.S. dependence on "hot money" flows, the next major hurdle for the dollar and domestic interest rates will probably be the 1984 election campaign.

While the Democrats will campaign on a platform of economic orthodoxy and reduced budget deficits, they are still perceived to be big spenders and inflationists by the financial markets. If Mr Walter Mondale actually won the election, there could be such a sudden reversal of capital flows

An increasing U.S. dependence on 'hot money' flows

that U.S. interest rates would rise sharply and threaten the whole recovery. As Mr Reagan's own success in peddling a guns' and butter economic programme testifies, perceptions are as important as reality in the financial markets.

Under the best of circumstances, the U.S. economy's growth rate will probably slow considerably during 1985 as Mr Volcker devotes his final year at the Fed to suppressing inflation and prodding Congress into reducing the budget deficit.

World economic recovery will also encourage renewed growth of U.S. international bank lending at a time when the U.S. will still need to import capital. The recovery of bank lending and a sliding dollar during 1985 will re-distribute growth from the U.S. to other countries and shift growth within the U.S. economy from domestic consumption to manufactured exports.

The danger between now and then is that surprise events in the financial markets could impose unexpected discipline on U.S. policymakers before they have got the 1984 Presidential election out of the way.

David Hale is chief economist of Kemper Financial Services and Kemper Murray Johnstone International.

THE FEDERAL DEFICIT AND U.S. RECOVERIES

Trough	Real GNP growth % 1st Yr of recovery	Real GNP growth % 2nd Yr	Real final sales growth 1st Yr of recovery	Real final sales growth 2nd Yr	Federal deficit as % of GNP Recession Yr	Federal deficit as % of GNP 1st Yr of recovery	Federal deficit as % of GNP 2nd Yr
2nd Quarter 1954	7.4	2.6	5.4	3.0	(0.3)	(0.8)	1.0
2nd Quarter 1958	8.4	1.7	5.5	3.0	(0.7)	(2.7)	(0.1)
1st Quarter 1961	7.0	3.3	5.0	3.7	(0.6)	(1.3)	(0.8)
4th Quarter 1970	4.7	7.0	4.5	6.5	(2.2)	(2.1)	(1.2)
1st Quarter 1975	6.7	4.2	4.6	4.2	(3.6)	(4.5)	(2.9)
3rd Quarter 1980	4.2	—	2.4	—			
4th Quarter 1982	6.5*	—	5.0*	—	(4.2)*	(6.4)*	(5.2)*

* estimate

Men & Matters

Hard pounding

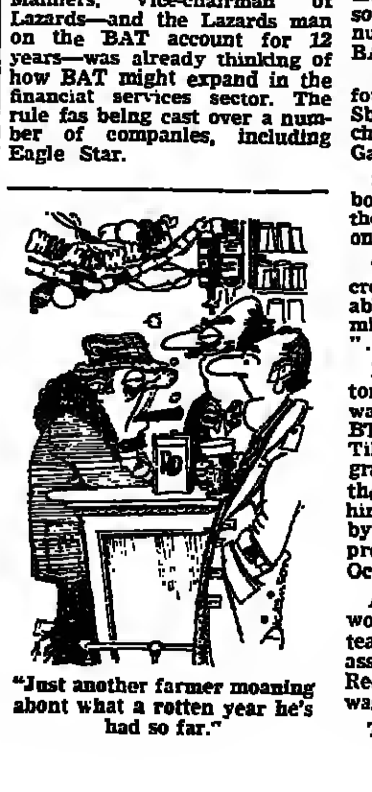
There's nothing quite like a spirited takeover battle to stir the blood in the merchant banking parlours.

Such engagements are seen as the pinnacles of the trade. There are also handsome fees involved.

BAT Industries looks to be the victor in the epic struggle for Eagle Star following BAT's record bid of £968m last week—unless, that is, a third bidder emerges quickly.

Lazards, the bank which advised BAT, and Morgan Grenfell, which advised the rival bidder the German insurance giant Allianz, both recall with justifiable pride the moves and counter-moves while the fight raged.

Back in October, Tom Manners, vice-chairman of Lazards—and the Lazards man on the BAT account for 12 years—was already thinking of how BAT might expand in the financial services sector. The rule fas being cast over a number of companies, including Eagle Star.



"Just another farmer moaning about what a rotten year he's had so far."

When Allianz made its first offer of 500p a share he rang Patrick Sheehy, chairman of BAT (and a BATman ever since he started selling cigarettes in Nigeria 33 years ago). Manners simply asked, "Have you noticed?"

"From then on," says Manners, "it was a question of giving 100 per cent-plus of my time for seven days each week."

He led a small team at the bank; Marcus Agius and John Dean. Lazards chairman, Ian Fraser, was also called upon from time to time and was to play an important role.

Round at BAT headquarters, 50 Victoria Street, there was nervousness about security as the counter-bid was being worked out and a growing number of people were involved. "An informed passer-by on a Saturday night or on a Sunday morning could have deduced some goings on from the car number plates outside," says a BAT man.

Lazards were working with a four-strong BAT committee — Sheehy, and his three deputy chairmen, John Symons, Brian Garraway, and Gerald Dennis.

Security proved absolute, however, and the BAT bid bit the stock market as a surprise on the morning of Nnvember 2.

"Then, when Allianz increased its offer to 650p we were able to top it in exactly 13 minutes," says Manners, "... exciting work."

For George Magan, a director of Morgan Grenfell, 1983 was s busy year. He acted for BTR on the purchase of Thomas Tilling for £650m. He then grabbed a few days' holiday in the Mediterranean only to find himself back "in the front line" by September to help Allisnz prepare its bid for launching in October.

As the fight hotted np Magan worked with a small-core bank team including Philip Evans, an assistant director. Christopher Reeves, chief executive of MG, was also closely involved.

The MG men found themselves shuttling between London and the Allianz headquarters in Munich almost every other day to work with an Allianz three-man "task force" drawn from the board.

Magan says that representing a foreign client in London involves "very special responsibilities" for a merchant bank. "We were all along alert not to let valour get the better nf discretion."

And will the banks get fees commensurate with the record size of the near-£1bn deal they have worked upon? All I can tell you is that neither bank will even discuss my impertinent question.

Good cause

On the basis that a little of what has made IBM the dominant force in the world computer industry will prove useful in British government we should, I feel, welcome the arrival at the Department of Trade and Industry of IBM man David Harrison-Harvey.

Harrison-Harvey, one of IBM's senior marketing men in Britain, has been seconded, for two years from the United Kingdom company to do a stint as commercial director of the government's Invest in Britain Bureau. He has succeeded Robin Hope who, after four years in the job is moving tn another part of the trade and industry department.

Harrison-Harvey, aged 34, joined IBM in South Africa 14 years ago. He has spent the past 10 years with IBM (UK) in marketing. He was one of the organisational task force which reorganised the company's marketing in 1982. Lately he has been the company's special projects manager responsible fnr designing its 1984 marketing programme.

What is IBM doing allowing a young manager al the centre of its business planning to spend two years away from the office? The arrangement is, in fact, the continuation of a long-standing IBM policy of seconding senior executives. Some 30 may be away from the UK company at any one time. "They go to work in worthy causes," explained an IBM man.

That's one way of describing the British government.

Cabinet roasting

Preparations for the coronation of Queen Elizabeth in June 1853 continually crop up in the newly-released Cabinet Minutes in circumstances which sometimes read like extracts from the TV series "Yes Minister."

Gwilym Lloyd-George, the minister of food, gave a bonus of one pound of sugar on the ration, and extra supplies were given to toffee-apple makers.

After mnch discussion the cabinet decided to allow the revival of the tradition of ox roasting, "provided it was undertaken by responsible bodies only."

There was some moaning about the cost of the coronation naval review which had risen from £20,000 tn £30,000. And complaints that only 60 MPs and peers had been given places in the ships.

The government decided to allow "a small subsidy" towards the lunches of MPs and peers during the celebrations. The rest of the money was re-directed from free lunches to providing extra public toilets.

Not listed

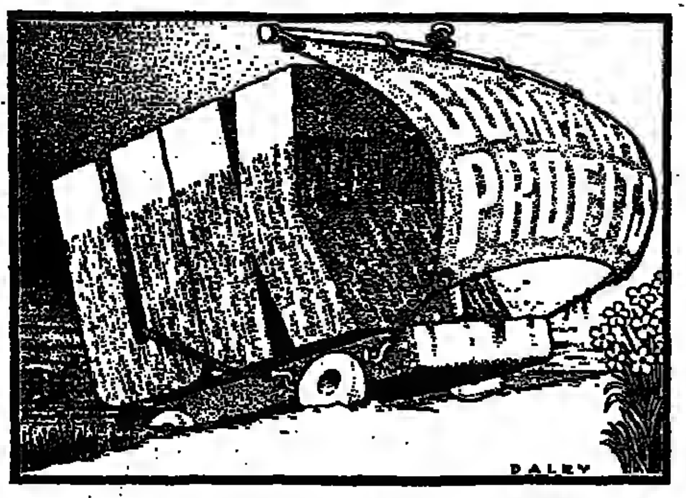
To start the New Year let us leave the actuaries alone for a while and cast a glance towards another profession.

A reader heard a small voice after a church service recently. "Daddy, why is it that we say prayers about policemen, firemen, doctors, and sailnrs, but never accountants like you?"

Observer

Forecasts 1984

Set fair for growth—and an investment surge



THE BRITISH ECONOMY

By Walter Eltis

WILL 1984 be the year of the investment boom? 1983 was an excellent year for consumers and the stock market, because it was the first year of Thatcher government in which the real money supply rose sharply. In an article on this page on January 4 last year the present author argued that whether financial markets move up or down depends greatly on whether the money supply rises faster than the general price level. If money rises faster than prices and output, workers, companies and portfolio holders find that they are not short of cash, with the result that they can seek to convert superfluous money balances into higher yielding assets.

This pushes up buying in relation to selling orders on the stock exchange, and the extra wealth of workers and shareholders increases retail sales. Markets responded in the predicted manner, and since last January equity prices have risen 25 per cent while real retail sales are up 5 per cent.

The real money supply should continue to grow in 1984, but its rate of increase has been slowing, as the table shows. Money will continue to grow at around 10 per cent per annum, the maximum permitted for 1984-85 in the medium-term financial strategy, but the recent fall in sterling may raise inflation temporarily towards 6 per cent, so the real money supply may only increase at 4 per cent per annum against the 7 to 10 per cent achieved at the peak of financial recovery.

If output grows at 2 or 3 per cent, as is generally assumed, the real demand for money will grow at least as fast as this, so money which is surplus to day to day requirements will increase by at most 1 or 2 per cent. It is therefore unlikely that there will be a large favourable influence on financial markets originating from monetary growth of the kind that so many benefited from in 1983. The real monetary expansion Britain enjoyed then helped to push the economy off the floor. What may continue to move it upwards?

The great hope for 1984 is that Britain may benefit substantially from the remarkable increase in company profits which has been occurring. The first three years of Mrs Thatcher's efforts to restore the viability of British capitalism actually involved a reduction in the real profits of industrial and commercial companies (other than North Sea oil) of 28 per cent. Private sector employment consequently fell by 1,145,000 from 1979 to 1982, while real investment in manufacturing industry fell 40 per cent. But the chart shows that profits ceased to fall in 1982, and in the first half of 1983 real profits actually increased by 20 per cent.

Profits should continue to grow sharply in 1984. Small swings in production often produce large swings in company profitability, and the latest CBI survey makes it clear that several sectors of British industry expect to raise production. Profits also rise where prices rise more than wage costs per unit of output. The slightly weaker exchange rate of sterling we are now experiencing will allow many companies to raise their selling prices in world markets, while the present weaknesses of the union militants should ensure that cost increases will continue to be contained in 1984. Real profits will not rise by as much as the 20 per cent of 1983, but they should certainly increase by a further 10 per cent or thereabouts.

Higher profitability should above all benefit investment. Latest surveys indicate that investment will rise by 7 per cent in the private sector in 1984, and by as much as 9 per cent in manufacturing industry. The consumer boom of 1983 should therefore be followed by an investment boom in 1984.

The other benefits from higher profitability will be more pervasive and longer lasting. Britain has lost much of its home market to importers because foreign companies have been able to extend their product range while a considerable fraction of British industry has been closing down. If British firms cease to produce, the range of British products on offer necessarily narrows, so a high proportion of consumers buy imports.

This would have happened to a still greater extent if Mrs Thatcher's government had allowed BL to succumb to the logic of market pressures, but this is a rare case where her government adopted Mr Benn's policies instead of Sir Keith Joseph's. Over £1,000m was thrown into BL to permit economic survival and the development of new models. One result is that the proportion of the car market which has been taken by imports did not rise in 1983, and British car sales on the home market rose 17 per cent to keep entirely in step with the consumer boom.

While most of British manufacturing industry has still been shedding jobs, BL sold 319,658 cars in the first 11 months of 1983, against 266,268 in the same months of 1982, an increase of 20 per cent, and it has been taking new workers on.

What BL has achieved through the injection of government money (and the leadership of Sir Michael Edwardes without whose firmness these injections would have been dissipated, as in so many other nationalised industries), other British companies should now achieve from their own resources. That could begin to transform the trade account of the balance of payments over the next few years.

While the long-term future of British trade should improve, the Government's projections for 1984 look unduly optimistic. Real exports will apparently grow by 4 per cent, and imports by only 5 per cent, despite the 3 per cent projected increase in real incomes and output. It is inconceivable that imports will rise by less than 6 per cent if output rises by 3 per cent, and they could easily rise by as much as 10 per cent. Import volume has been 11 per cent higher in the second half of 1983 than in 1982 and restocking has only just begun.

Trade is therefore likely to perform considerably worse than the Treasury assumes. Higher profits should slowly strengthen our product range but that will take time. The current account of the balance of payments may nevertheless avoid a massive swing into deficit. We are now acquiring overseas assets at a rate of £12bn per annum and these will all strengthen the invisible account of the balance of payments.

The Central Statistical Office has been a little slow to keep up with these trends, and it discovered a few weeks ago that the current account surplus was being underestimated by over £500m because too small an invisible surplus was being assumed. There are likely to be more such discoveries during 1984, with the result that sterling and the current account will be far stronger than the dreadful trade figures which will emerge in at least part of the year, and possibly in most of it.

While industry is slowly recovering, Mr Lawson will have to stand on the sidelines and keep the medium-term financial strategy ticking over. The major decisions were all taken years ago while he was Financial Secretary to the Treasury, and he has very limited freedom to vary the rate of reduction of the PSBR. Moreover, the rate of growth of the money supply in 1984-85 has already been targeted: he can only vary the measures of money to which the targets apply.

He should achieve his new 1983-84 borrowing target with a little to spare because the Treasury has almost certainly underestimated tax revenues in the final quarter of the fiscal year, and this means that he should be able to announce a no change budget in March.

The obligation to continue economic recovery will then rest with the private sector, which is being offered a stable financial framework, weak unions and a slow and predictable rate of inflation. It should have been offered lower interest rates as well as a result of persistent reductions in British Government borrowing, but these have fallen far more slowly than the rate of inflation. Conventional government bonds still yield 7 per cent more than indexed bonds.

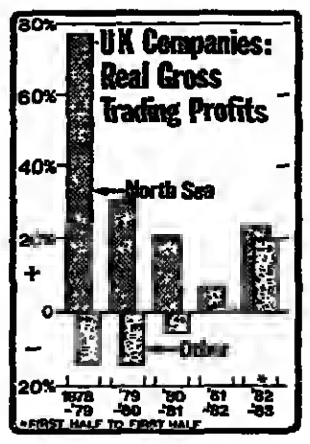
The failure of British interest rates to come down by as much as had been hoped is customarily blamed on the size of the U.S. budget deficit and the consequent high level of American interest rates. British interest rates are already beginning to decouple from U.S. rates, and long-term interest rates are now about 1½ per cent lower in London than New York.

This trend could continue. International portfolio holders now accept 1½ per cent less interest from the British Government than from the U.S. Government, presumably because they expect the dollar to depreciate 1½ per cent per annum relative to sterling in the medium term. If they expected the dollar to fall at 5 per cent per annum, they would require 5 per cent extra interest in New York.

Sterling rose to a peak of $2.41 in January 1981 and it has now fallen to $1.45. The dollar rose from DM 1.72 in January 1980 to the present DM 2.72. What goes up must come down, and when the dollar begins to slide, U.S. interest rates will cease to set a lower limit to European rates. The fall in British interest rates which should then result could assist British industrial recovery, which will continue to be modest while interest rates remain at present levels.

In conclusion, it must always be remembered that almost two-thirds of the British economy is now a service economy. The service sector is not monitored by the CBI, and the Department of Trade and Industry knows little about its rate of development. Mrs Thatcher's policies have proved exceptionally helpful to the service sector, and during 1984, as in 1983, there could be happy surprises about the employment it provides, and the output it produces.

The author is a Fellow of Exeter College, Oxford.



The increase in gross trading profits, net of stock appreciation, arising in the UK of industrial and commercial companies, deflated by the rise in retail prices.

UK REAL MONEY SUPPLY
(Annual percentage changes)

	M1	£M3	PSL2
1979 2nd qtr to 1980 2nd qtr	−12.3	−4.7	−7.4
1980 2nd qtr to 1981 2nd qtr	−1.5	+4.4	+1.7
1981 2nd qtr to 1982 2nd qtr	−1.6	+2.0	+0.2
1982 2nd qtr to 1983 2nd qtr	+10.2	+7.0	+7.7
1983 May-Nov.	+5.0	+3.9	+4.5

The increase in the series for M1, £M3 and PSL2 (private sector liquidity) deflated by the rise in retail prices.

The 'wild cards' that could pose a threat to recovery

THE WORLD ECONOMY

By Richard Blackhurst

DEVELOPMENTS in 1983 and the consensus forecast for 1984 indicate a recovery from the 1982 world recession that is, in certain respects, reassuringly similar to earlier successful postwar recoveries. The expansion that has been underway in North America for a year has been vigorous and has followed a typical pattern. Although there are some dissenting voices, most analysts look for North American output to continue to grow at a healthy pace in 1984.

Imports into North America increased sharply in 1983, providing an element of strength in an otherwise weak recovery of world trade. Activity appears to be picking up in Japan, in some developing countries—primarily in Asia—and to a lesser degree in Western Europe. The 5 per cent average inflation in the industrial countries in 1983 was the best figure since 1972. Developments to date thus fit well with the governments' stated goal of achieving a recovery that is healthy but not so robust as to spark a resurgence of inflation.

Unfortunately, other aspects of the current economic situation are less cosy. Inflation soared to new heights in the developing countries in 1983. There is a large residue of unemployment (even in the U.S., despite the recent declines) and no one is optimistic about an early return to the level of the 1960s. Strong competition for available capital and uncertainty about future economic policies are keeping real interest rates high compared to previous recoveries.

Government borrowing to finance large budget deficits—representing national dissaving and thus a prime suspect in the search for causes of the high interest rates—is not expected to decline substantially in the near future. Such borrowing does not necessarily "crowd out" business investment in any one country, since inflows of foreign capital can cover part or all of the government's borrowing requirement, but for the world as a whole it is relevant to ask whether crowding out is occurring. In some quarters there is a lingering uncertainty regarding the priority which the industrial countries will give to recent gains against inflation.

Despite the increase in imports into North America, the international transmission of the recovery is working less well than in the past. The growth of world trade exceeded the growth of world output by a sizeable margin in the two-year period following the 197[illegible] recession, as it has on average throughout the postwar period. For the 1983-84 period, in contrast, the excess of trade growth over output growth is likely to be negligible or non-existent.

A search for possible explanations of the unusually slow recovery of world trade brings us to the two "wild cards" in the present situation—the international debt problem and protectionism. The outlook for the world economy over the next two or three years depends primarily on the way in which the major countries—both developed and developing—deal with these two threats.

The debt problem. In the short-term the principal requirement is that the heavily indebted countries have access to enough resources in order for production to grow during the balance-of-payment adjustment process. Debts can only be serviced out of national production. If production declines during the adjustment process, the required retrenchment of domestic expenditure is compounded and risks being pushed beyond the public's tolerance for cutbacks in living standards and/or to the point where the productive potential of the country is seriously eroded.

Primary reliance on increased or extended financing is necessarily a short-term holding action. Once attention shifts to the largely neglected search for medium-term solutions, trade liberalisation takes over as the most (only?) promising option.

A major trade liberalisation effort by developed and developing countries would benefit countries on the debt-service critical list, as well as countries which need help to stay off the list. It would raise their growth rates and those of their creditors. Improved efficiency coupled with increased access to foreign markets would create new investment opportunities in the indebted countries, which in turn would boost their credit standings with commercial banks and improve their ability to attract direct investment capital.

Higher growth rates in industrial countries would further stimulate demand for the exports of developing countries, including those primary products which already have unrestricted access to the industrial countries' markets. The net result would be a balance-of-payment adjustment that emphasised growth and export expansion rather than severe austerity and import contraction. Reliance to date on the latter is one of the main reasons why world trade is recovering so slowly.

Reduced sales to the indebted countries spells lost jobs and profits in the creditor countries' export industries. All too often the connection between protecting jobs in inefficient import-competing industries and forgoing jobs in efficient export industries appears so tenuous to policy makers and the general public that it is simply ignored. The debt issue casts this basic insight—that when one sector is protected, it is *always* at the expense of another sector—in unusually bold relief.

● **Protectionism.** If the proliferation of protectionist measures and protectionist pressures were limited to trade between developed and developing countries, there would be little to add. But of course it is not. Many of the most serious current trade disputes are among the industrial countries. This is also true of many of the trade actions taken outside the Gatt rules (such as "voluntary export restraint" agreements)—actions which increase business uncertainty by reducing the credibility of the trade rules and thus the predictability of future trade policies at home and abroad. It is not hard to figure out the effect of the restraints, and of the added uncertainty, on the role which world trade can play in spreading the recovery.

In judging the case for an across-the-board liberalisation, there are two things to keep in mind besides the contribution it would make to solving the debt problem. First, protection in agriculture, textiles and clothing, steel, automobiles and so forth is only incidentally about those particular products or industries. What it really involves is society's attitude toward dealing with change. Even if shifting comparative advantage were the only source of pressure for changes in the pattern of production, protection would be a dubious solution because the reduced adjustment for some workers is purchased at the cost of forgone job opportunities in other industries and lower economic growth for all.

One it is recognised that pressure for change emanating from the trade sector is only one entry on a list that includes technological change, demographic developments, the discovery (and exhaustion) of major natural resource deposits, and so forth, the case for protection becomes even weaker. In a world of continuous and largely uncontrollable change, prosperity is possible only if there is the structural flexibility required to keep pace with that change.

The other point is that none of the current policy ideas outside the trade area promise to do much to reduce the chronically high unemployment. This is why we see a spreading feeling of resignation towards the unemployment problem, evident in the industrial countries in proposals for work-sharing and early retirement (the latter being especially ironic in its coincidence with medical advances that are increasing longevity and improving health in our later years).

Experience indicates that lower trade barriers would reduce structural rigidities, improve the functioning of the price system and stimulate employment and output in those industries with the greatest expansion potential.

There is encouraging evidence of a growing recognition of the need to restart the liberalisation process. An emphasis on preparation, which means above all agreement on an agenda, is important.

In November 1982 governments agreed to a two-year work programme in the Gatt which covers every trade issue likely to figure in a new round. The implementation of this work programme, in full and on time, would be the best possible preparation for—and the most credible evidence of commitment to—an early start on a new round.

The author is acting director of economic research and analysis, General Agreement on Tariffs and Trade, Geneva. The article presents his personal views.

A CONSENSUS OF FORECASTS

An average of the main forecasting bodies

figures are % changes on average for previous year, unless otherwise stated

	Real Gross domestic product		Growth in industrial production		Unemployment rate (% of total labour force)		Balance of payments (current prices in $bn)		Exchange rate v US$		Inflation	
	198[illegible]	1984	1983	1984	1983	1984	1983	1984	1983 (Dec ave)	1984 (end of year)	1983	1984
OECD	2[illegible]	3.5	2.9	5.3	9.3	9.4	25.2	−33.3			5.2	6.0
EEC	0[illegible]	1.6	1.1	2.4	10.3	10.8	−1.7	3.5			6.6	6.0
U.S.	3[illegible]	4.8	6.3	7.9	9.6	8.0	−27.9	−52.1			3.8	5.3
UK	2[illegible]	2.2	2.1	2.4	12.1	12.3	1.2	1.1	1.43	1.53	4.9	5.3
Japan	3[illegible]	4.1	3.2	5.5	2.7	2.6	21.0	25.1	235	216	1.9	2.2
West Germany	1[illegible]	2.4	0.8	3.8	8.8	9.1	4.1	5.5	2.75	2.46	3.0	3.1
France	0[illegible]	0.5	−0.1	0.1	8.6	9.2	−5.0	−1.5	8.36	7.87	9.2	8.2
Italy	−1[illegible]	1.6	−5.1	3.4	10.2	10.8	−2.7	−2.0	1,663	1,601.5	14.8	11.9
Australia	−0[illegible]	3.8	−3.4	5.2	10.0	9.1	−5.6	−4.1	1.11	1.10	10.1	8.2

Sources: OECD, EEC, Henley, Phillips & Drew, Simon & Coates, Wood Mackenzie, NatWest Bank. Additional national material: UK: Tilney, Laing & Cruickshank, NIESR, Capel Cure Myers, Rowe & Pitman, Messel, J. Capel; U.S.: Mellon; Japan: Nomura Research Institute, Fuji Bank; Germany: German Council of Economic Advisers. Exchange rate forecasts were based on average of 20 forecasts completed by Euromoney Currency Report.

FINANCIAL TIMES

Tuesday January 3 1984

Terry Byland on Wall Street

Stores fail to find favour

THE stock market can sometimes be a cruel judge of corporate trading performance, as the chief executives of the U.S. retail store groups no doubt mused as they compared the Christmas takings at the cash registers with the ratings of their shares on Wall Street.

There is no doubt now that 1983 went out in a blaze of glory for the retailers, with Christmas trading benefiting from the recovery in employment levels, disposable income and consumer confidence.

Final details of the sectors' sales performance are expected at the end of this week, and will probably confirm that the stores gained between 13 per cent and 15 per cent in sales compared with the previous December.

Nor has there been any shortage of the traditionally bullish Yuletide comments from store chiefs, ranging this year from: "The best in 10 or 12 years," (Macy's), to: "Certainly the best in our history," (Bloomingdale's).

But on the stock market, retail stocks have continued to lag behind the rest of the market, taking no part in the scattered attempts at a general advance by stocks as investors have peered over the hill and into 1984.

Sears, Toys R Us and J. C. Penney all show slight falls since the beginning of November, when the signs of a good Christmas selling season first began to manifest themselves. These important retail stocks, like the rest of the sector, ended 1983 between 16 per cent and 25 per cent below their 12-month peaks.

Part of the reason for the dull performance of retail stocks lies in the past. The sector peaked early in Wall Street terms, rising sharply in the first half of last year when the recovery in the economy was only just beginning to show itself in the form of a recovery in consumer spending.

By the middle of the year, the retail issues were falling prey to successive fears that the strength of the economic recovery might bring a tightening of consumer credit by the Federal Reserve.

In stock-market terms, that translated into a repositioning of portfolios away from consumer issues and towards defence, chemical and other industrial stocks thought likely to benefit from a broadening of the recovery. The much predicted "second leg" of the bull market turned out to be a sector-by-sector switchback rather than a general shakeout in the market.

As Christmas approached, some retail stocks suffered from the fall-out of a suddenly shaken home computer/video game industry. In last week's preliminary report on Christmas trading, Toys R Us deemed it necessary to stress that sales of electronic items, at 17½ per cent of the total for the peak selling season, showed little increase from the previous year.

But it may be too early to say that the success of the Christmas selling season justified a re-rating of the retail sector on the stock market.

There have been signs that Christmas 1983 has seen the retailers fighting harder for their share of the trade than they might care to admit.

There have been plenty of discounts or sale prices available, an almost unheard of phenomenon at Christmas time. At the more expensive end of the market, heavy promotional campaigns for, among other things, Beluga caviar, have caused some analysts to view sales figures with caution.

An increase of 15 to 20 per cent in earnings at the retail majors has been largely discounted in the stock market. What matters now is whether such profits will be able to sustain share ratings at their current levels of 10 or more times earnings.

For the answer to that question, Wall Street will be looking carefully at profit margins over the Christmas period. While some price discounting at the sharper end of the market is accepted as inevitable, there will be less enthusiasm for retailers who sacrificed margins to maintain sales over the full range of the retail business.

POLITICAL FEARS STRANGLE INDUSTRIAL REINVESTMENT

Hong Kong growth threatened

BY DINAH LEE IN HONG KONG

DOUBTS over the long-term political future are threatening industrial expansion in Hong Kong. Despite predictions of growth as high as 8 to 8½ per cent for 1983 and continuing throughout 1984, private economists are worried about the lack of reinvestment in the British colony's manufacturing sector.

Although continuing export growth, particularly in electronics and textiles sales to the U.S., Britain and West Germany, is currently offsetting political fears over the expiry of the New Territories treaty between Britain and China in 1997, the effects of manufacturers' reluctance to spend will be felt soon.

Hongkong and Shanghai Bank analysts give warning of a bottleneck next year in meeting buoyant overseas demand if capacity is not expanded faster. "With the volume of output in the third quarter running 18 per cent ahead, order books are stretching to four and a half months and the volume of imports of raw materials and semi-manufactures is growing at 25–30 per cent," a recent bank report said.

The bank added that increased industrial investment was critical if Hong Kong were to respond to further worldwide recovery in 1984.

Hong Kong exports more than 90 per cent of the goods it produces, and sends 40 per cent of those exported goods to the U.S. This year's economic recovery, dampened only by the political ups and downs of the Sino-British talks in Peking, was tied to a resurgence in U.S. demand. The boom did not really hit Hong Kong's shores until the second quarter of this year and, by the third quarter of 1983, domestic exports and re-exports had risen by 19 per cent in real terms over the same period in 1982.

Strong expansion is expected to continue into the first quarter of 1984. Available statistics show that from January to October last year, merchandise trade totalled HK$266.9bn (U.S.$34bn), a fifth more than in the same period in 1982.

Much of that was accounted for by textiles. While electronics may have been the fastest-growing sector, it was textiles that led Hong Kong quickly out of recession. Now even the optimists banking on continuing growth overall are worried that President Ronald Reagan's new compromise on textile imports to please U.S. domestic clothing manufacturers may hurt Hong Kong's textile industry in 1984.

"This has been a very good year," said Mr Stephen Cheong, managing director of Lee Wah Weaving Factory, "but it is unlikely that 1984 will surpass this year's performance."

One reason for pessimism is that a significant part of the U.S. demand, particularly in the third and fourth quarter, was caused by restocking, which will be completed next year. Many textile manufacturers, although still confused about how new U.S. policies will actually be implemented in 1984, are under no illusion that protectionism will abate.

This year, 14 unnegotiated categories of Hong Kong textiles exports to the U.S. were subjected to sudden "calls" or suspensions of export authorisation.

According to the new December 17 guidelines, suspensions will be imposed on exports now if they exceed 30 per cent growth in the most recent year, or if the ratio of total imports to U.S. production is more than 20 per cent, or if imports from an individual country equal 1 per cent or more of total U.S. production.

Hong Kong is also worried about the Generalised System of Preferences, due to be renewed by January 1985 and under discussion now, and the expected increase in official protectionist sentiment in Washington linked to the coming Presidential election. One predictable result of those fears is that Hong Kong manufacturers, commercially flexible and politically uneasy, are setting up manufacturing facilities inside the U.S. and other markets such as the UK and West Germany.

Electronics sales to leading markets in 1984 are not so doubtful, although investment is slow in that sector, as all others. The strongest performances for the first three quarters of 1983 in terms of sheer growth was in anything electrical or electronic.

UK Treasury shelves work on long-term spending plans

BY MAX WILKINSON, ECONOMICS CORRESPONDENT, IN LONDON

BRITISH TREASURY hopes of publishing an important strategy document early this year on the future of public spending have evaporated in the face of anxieties expressed by senior Cabinet ministers.

Mr Nigel Lawson, the Chancellor, made clear in the summer that he wanted to promote a public debate about the future of public spending programmes over the next 10 years.

One of his aims was to convince the country that public spending would not be allowed to rise nearly as fast as it had done in most of the post-war period if the Government were to stick to its anti-inflation strategy, and reduce taxes.

He set the Treasury, in consultation with spending departments, to work out detailed projections for public spending, particularly to the sectors of health, education, defence and social security.

However, by late autumn, the work was running into serious conceptual difficulties over the future shape of the welfare state and Britain's defence commitments for the next 10 years.

Treasury officials found they could not make sensible projections without some decisions in principle about the future of the public sector from the highest political level.

One important issue, for example, is whether it should be assumed that the National Health Service will continue to provide at least the present standard of care for the whole population, or whether private health schemes will be encouraged to take an increased share of the burden.

Another hot political question raised by the study is whether pensioners and the unemployed can expect their benefits to be fully protected against inflation beyond the life of this parliament.

A recent study by the Paris-based Organisation for Economic Co-operation and Development suggested that social benefits would need to be cut in some countries if public spending were to remain under control.

However, in discussions at the end of last year, Cabinet ministers showed great reluctance to take controversial or unpalatable decisions on such questions for periods that seem remote, in political terms.

The Prime Minister also is known to be very anxious that the Government should avoid the political furore that surrounded the Treasury's last long-term public spending exercise, extensively leaked at the time of the last election.

This study suggested that "radical decisions" would be needed to curb the growth of many of the spending programmes.

The Treasury also suggested in a commentary on the study that pledges, such as the present commitment to protecting pensions against inflation, "should be allowed to expire."

Public spending as a proportion of national output

1982-83		40
1983-84		39.5
1984-85		38.4
1985-86		38
1990-91	A	36.9
	B	43.6
	C	38.7

Note: 1982 to 1986 calculated from Autumn Statement and Budget projection. The Estimates for 1990-91 are:
A Treasury's 1982 unpublished study 2½ per cent growth assumed
B Treasury's 1982 study ½ per cent to ¾ per cent growth
C IFS estimate assuming 1½ per cent growth

It has since been suggested, however, that the Treasury's range of assumptions about possible rates of economic growth and government revenues may have been unduly pessimistic.

The Institute for Fiscal Studies (the independent "think tank" for tax matters) has calculated, for example, that if the economy grows at an average rate of 1½ per cent a year, public spending would remain at about the present proportion of national output without any radical surgery being needed.

For its own study on spending, however, the Treasury has run up against a problem of presentation. On the one hand, it believes that the consequences of very low growth – perhaps ¾ per cent to ½ per cent a year – need to be examined.

On the other hand, it fears that any projections based on such "pessimistic" assumptions might be seen to be undermining confidence in the Government's strategy for promoting a "sustainable economic recovery."

There are, in addition, significant differences in the Cabinet between ministers such as Mr John Biffen who does not want to see a radical attack on the welfare state and other ministers who would like to see a much more "self help" society, with lower public spending and lower taxes.

New year interview with UK Chancellor, Page 4

German cable TV opens new horizons

By John Davies in Frankfurt

WEST GERMAN television, renowned for its rollicking, thigh-smacking fun and its earnest debates about deep-rooted problems, is moving into a new era.

After five years' preparation, cable television has started up in the first of four test areas and is all set to jolt the framework, if not the style, of the average Bürger's living-room entertainment.

Along with cable has come not only a much wider choice of TV programmes, but also private TV, as distinct from the publicly-controlled channels at present serving viewers throughout the country.

From January 1, cable TV has been bringing a total of 19 channels to 1,200 subscribers in and around Ludwigshafen, a town at present best known as the headquarters of the BASF chemical giant.

Eleven channels provide existing TV programmes from various parts of West Germany.

The other eight channels include programmes beamed by:

- Erstes Privates Fernsehen (EPF), a concern majority-owned by the regional Rheinpfalz newspaper;
- Programmgesellschaft für Kabel- und Satellitenfunk (PKS), an organisation backed by the co-operative movement which shows films interspersed with news transmitted from a studio at the Frankfurter Allgemeine Zeitung newspaper.
- Satellite Television, the company which beams English-language programmes to Europe and is controlled by Rupert Murdoch, the Australian-born newspaper owner.

Herr Bernhard Vogel, the premier of Rheinland-Pfalz, said that the increased number of channels was not meant to seduce viewers into watching more TV, but to offer greater choice and freedom of opinion.

Because of doubts about the financial rewards, commercial interests have not rushed to join Ludwigshafen's cable TV, but they have put a foot in the door.

The cable TV organisers – the Anstalt für Kabel Kommunikation (AKK) – have also beat over backwards to involve local community groups, such as churches and environmentalists.

These established organisations have their own "citizens' service" channel and need pay only DM 50 ($18) per hour to use a studio, complete with its equipment, cameramen and producers.

A separate "open" channel offers an opportunity for anyone or any group of individuals, other than a political party, to express views on TV or to make a documentary programme – at no cost.

"We've not rejected anyone," an AKK official said.

India curbs may raise tea price

BY JOHN EDWARDS, COMMODITIES EDITOR, IN LONDON

A SHARP rise in world tea prices is expected following India's decision to restrict exports.

London auction tea prices have already risen sharply from 135p ($1.93) a kilo in April to a six-year peak of 252p in December because of a world shortage of supplies. It has left the market especially vulnerable to India's ban, announced last week, on the export of CTC, or "unorthodox" teas which are most favoured by UK buyers.

The ban is aimed at reducing the price of tea in India's domestic market. The Government has become increasingly worried, in view of the coming election, by the sharp rise in domestic tea prices in recent months.

The move had the desired effect in driving down prices at last week's Calcutta auctions as export buyers withdrew. But the effect of the export ban on auctions outside India, especially in London, is expected to be a rapid jump in prices.

India is the largest single supplier of tea to the UK market, providing about 25 per cent of total imports of around 180m kg a year. CTC tea is used in about 80 per cent of UK tea blends. It is ideally suited for the popular "quick brew" brands of tea bags and packet teas giving the thick, fast-infusion, strong types of tea favoured by British drinkers. Orthodox teas, supplied mainly by Sri Lanka, are lighter and slower brewing, and particularly suitable for speciality teas.

Brooke Bond, a major UK-based tea producer, noted that the Indian ban came at the tail end of the north Indian season, with picking of the current crop just finishing. There are some uncertainties over just how strictly the ban will be applied, but the company estimated that, at worst, the UK market would be deprived of 8m kg during the next four months – about a sixth of total supplies normally received during that period.

But Brooke Bond acknowledged that the Indian ban had a potentially dramatic impact on auction prices since it came just at a time when world supplies were scarce after several years of depressed prices and surpluses. African producers, like Kenya and Malawi, produce mainly unorthodox tea, but there is strong demand for this type from countries such as the Middle East, Australia and New Zealand, as well as the UK.

So competition could be fierce when the London tea auctions, which are normally held each Monday, re-open after being closed last week for the Christmas holiday.

Retail prices of tea in the UK have been increased twice this year, in April and December.

Israeli budget sparks crisis

Continued from Page 1

headed off by the decision to discuss the budget only in principle on Sunday, is still looming in the background. The defence, education and housing ministers are among those leading the fight against big reductions in their budgets.

This afternoon the Cabinet's inner economic committee meets to discuss the budget allocation for individual ministries. The disagreement over where to make the budget cuts, which created the crisis atmosphere last week, are likely to surface again and continue to simmer in the coming weeks.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	14	57	Dubrovnik	S	15	59	Malaga	S	14	57	Salzburg	S	7	45
Akrotiri	S	18	64	Faro	—	—	—	Malta	F	18	64	Seoul	Sn	0	32
Algiers	S	16	61	Florence	C	8	46	Manila	—	—	—	Singapore	C	29	84
Amsterdam	F	1	45	Frankfurt	C	5	41	Miami	F	11	52	Stockholm	F	3	37
Athens	S	15	59	Funchal	C	17	63	Milan	F	4	39	Strasbourg	C	3	37
Bahrain	S	20	68	Geneva	S	5	41	Moscow	C	1	34	Sydney	—	—	—
Bangkok	S	31	88	Gibraltar	S	15	59	Munich	F	7	45	Taipei	—	—	—
Barcelona	C	12	54	Guernsey	D	10	50	Nairobi	S	25	77	Tangier	S	15	59
Beirut	F	18	64	Helsinki	S	0	32	Naples	F	13	55	Tehran	—	—	—
Belgrade	S	14	57	H Kong	F	16	61	New Delhi	—	—	—	Tel Aviv	—	—	—
Berlin	F	8	46	Innsbruck	S	4	39	New York	Sn	-2	28	Tenerife	C	20	68
Biarritz	C	8	46	Inverness	C	4	39	Nice	F	12	54	Tokyo	S	8	46
Blackpool	R	6	43	Istanbul	S	10	50	Oporto	—	—	—	Toronto	Sn	-3	27
Bordeaux	C	6	43	Jersey	C	10	50	Oslo	S	2	36	Tunis	S	26	79
Brussels	F	9	48	Jo'burg	C	22	72	Paris	D	9	48	Valencia	S	12	54
Budapest	S	7	45	Las Palmas	F	20	68	Prague	S	3	37	Venice	C	4	39
B Aires	C	8	47	Lima	—	—	—	Reykjavik	S	-7	19	Vienna	F	10	50
Cairo	S	18	64	Lisbon	Fg	7	45	Rio de J'o	—	—	—	Warsaw	C	7	45
Cape Town	S	23	73	Locarno	F	4	39	Rome	C	10	50	Zurich	F	3	37
Caracas	C	27	81	London	C	8	46								
Casablanca	S	15	59	Los Angeles	C	11	52								
Copenhagen	S	5	41	Luxembourg	R	4	39								
Corfu	S	16	61	Madrid	Fg	2	36								
Dublin	R	6	43	Majorca	C	14	57								

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Nigeria's new rulers

Continued from Page 1

been appointed secretary to the federal government.

Maj-Gen Buhari, who is 41, stressed the country's economic difficulties as the main factor behind the coup. He told a meeting of permanent secretaries at State House, Lagos, yesterday, that they would be retained in an undefined advisory capacity, suggesting that the new regime would draw on civilians as well as senior army officers for its administration.

Existing ministers have been dismissed, and, along with their advisers, ordered to report to the police.

In his television address to the nation, Maj-Gen Buhari said: "The changes became necessary in order to put an end to the serious economic predicament and the crisis of confidence now afflicting our nation."

The first task of the 16-member military council today will be the appointment of military governors in the country's 19 states, Lagos radio said.

Recalling that the former military administration had fulfilled its commitment to hand over power to civilians by 1979, Maj-Gen Buhari accused politicians of circumventing the checks and balances in the constitution and of bringing Nigeria "to the present state of general insecurity."

THE LEX COLUMN

The Year of the Equity Tap

Peering into their crystal-telescreens at the onset of 1984, equity market analysts will be uncomfortably conscious that their predictions for the old year were almost uniformly miles off the target. Their main problem this time is that the market is already very high.

Drawing precious little comfort from gilt-edged, but propelled along by a consumer-led recovery of unforeseen vigour, the equity market finished 1983 poised ambiguously on a new peak in the FT All-Share index. It is only natural, from such a vantage point, that people find it hard to be confident about climbing very much higher. There is instead a resigned suspicion that the London bull market must be somewhere near its end.

Generalised

That the market has indeed worked itself a long distance round the track is suggested by the very generalised nature of the optimism that was back in the air when shares started to move again before Christmas. After winding their way round from electricals to stores and textiles (leaving the traditional recovery stocks in the capital goods sector out in the cold) investors appeared to have come round simply to buying the market.

Until then, it would have been hard to deny a loss of momentum; successive records in the FT 30-share index were reached without much of a follow-through, while all but the last point of the All-Share's 23 per cent rise in 1983 was achieved by mid-August.

If the recovery is already in the market – last year's story, in effect – much of what happens in 1984 could be determined by two yield relationships. The link between British and American bond yields is not infinitely elastic, and since conventional gilt-edged are already yielding a point and a half less than is available in the U.S., it seems unlikely that all equities will get much more mileage out of gilt-edged this year than they did in 1983.

At the same time, the gap in yield between index-linked stock and equities constitutes such a meagre risk premium – when industrials are yielding only a fraction over 4 per cent – has to imply in itself that it will be hard for equities to climb far without a shove from falling real interest rates.

These rates look rather high, even as measured by the virtually riskless 3 per cent obtainable on indexed stock. So it may be that some air can be let out of the domestic interest-rate cushion – although it would help if the tax-take soon began to show some sign of responding to the increased level of economic activity, while the oil price will have to be stable enough to keep speculative pressure off sterling.

But unless the dollar takes a tumble as the U.S. presidential election starts to roll, the initiative for lower interest rates may have to come from the Federal Reserve: without a pronounced weakening in the U.S. recovery this spring – to rather less than the 4½ per cent growth exposed in the latest flash forecasts – that does not appear too likely.

Of more immediate concern in the City, the reservoir of new equity issues for this year already shows signs of brimming over. If nothing else, 1984 will be remembered as the year when the Government's privatisation policy came fully on stream. The certainty of being required to absorb a large chunk of British Telecom, with Enterprise Oil thrown in, is enough to cause the most voracious underwriter a touch of indigestion. Add another large crop of rights issues – maybe three quarters as much as the £2bn taken up in 1983 – and the equity market will find itself adequately supplied, at least.

The demand side of the balance throws up rather more uncertainty. To enjoy another lap of its bull run, London probably needs to go on fascinating U.S. investors as deeply as it has over the past year. The much canvassed slackening in overseas investment by UK institutions will have to come through in hard domestic cash. It may be premature, though, to see UK funds coming back with fresh appetite to their home ground.

Timing

The U.S. cult of London may also have its limits. While some of last year's conspicuous demand for ICI was a genuine making-up of weightings in an under-collected chemical major, a lot of the buying must have been due to the belief that the UK was emerging from recession ahead of the pack – so that its industrial blue chips would prove a better-timed investment than comparable stocks in Tokyo or Frankfurt.

In 1984, the advantages of timing can only be the other way; the other OECD economies will be accelerating when the UK recovery and stock market are likely to be flattening out.

By any normal British standards, of course, the outlook for the company sector this year is bright enough. Output can scarcely fail to rise by 2 per cent, and profits will still be growing at about double the inflation rate according to even the least optimistic projections. Prospective multiples below 12 are still not high by the standards of past bull markets. Moreover, balance sheets are sounder than they have been for many years.

But it is odds on that, this year, earnings will be rising a good deal less rapidly than last – a prospect which cannot quite be as good for business on the equity pitches.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday January 3 1984

Banks hope for lending revival

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

THE EUROCREDIT market could recover some of its lustre in 1984 as bankers shrug off the depression which followed the Latin American debt crisis.

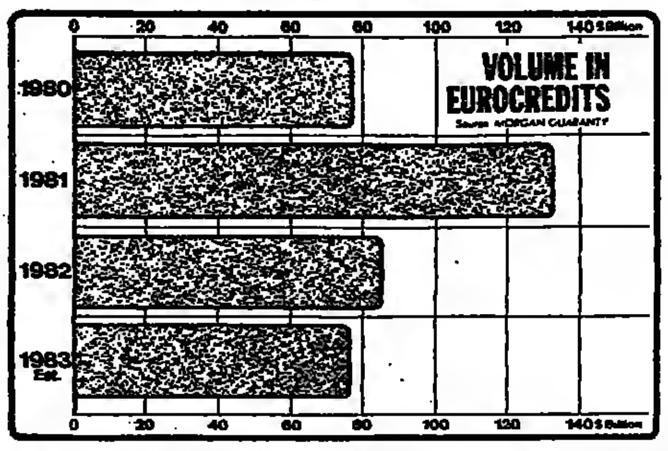
There is no doubt that international banks are now turning their back on one of the least encouraging years in memory. Last year saw a sharp contraction in new business, with the total new loans arranged in the first 11 months falling to only $67.9bn from $80.8bn in the same period of 1982, according to figures compiled by Morgan Guaranty Trust.

These figures include the so-called "forced loans" to such countries as Mexico and Brazil, which were arranged in connection with International Monetary Fund rescue packages. These loans, which totalled more than $18bn, have somewhat masked the true decline in syndicated lending last year. Without them it would have been a very poor year indeed for new business.

Yet the market is still far from losing heart. The end of 1983 saw a flurry of new deals for countries such as Ireland, Belgium and France at margins similar to those which prevailed before the Latin American debt crisis broke. The loans, moreover, were in very strong demand as the banking community found itself short of good lending opportunities. Now many bankers hope the signs of a revival will snowball, making 1984 a year of marked recovery.

It is a marked contrast to the mood prevailing at the start of 1983, when expectations generally were that new lending would dry up and margins increase as banks became reluctant to add to their international exposure. In one respect those expectations were fulfilled – volume has dropped significantly – but in another they were confounded as margins closed the year lower, at least for top quality credits.

Banks have found that it is not so easy just to pull back from the market. New business is still needed, if only to balance out the high risk long-term lending to which they are increasingly committed in Latin America.



The problem, as it has turned out, is less that banks have become reluctant to lend than that borrowers have become reluctant to borrow. In the immediate future there is little sign of a change in this situation, so that even if the Eurocredit market has become more lively, it will continue to suffer from a shortage of business.

Several factors are likely to combine to produce this effect.

First, borrowers in the Eurocredit market are increasingly split into those countries which are acceptable and able to raise money at a very fine margin, and those which are not acceptable and cannot raise any cash at all without the assistance of the IMF. The first category includes the member countries of the Organisation for Economic Co-operation and Development, which have always been desirable risks, but many of which have already raised substantial amounts in advance of their 1984 requirements.

Ireland, for example has raised almost all the money it will need for this year. Belgium, whose recent loan was raised to $800m from $600m because of strong demand, is unlikely to return to the market for another 12 months. More important still, economic forecasts prepared by the OECD show that the balance of payments deficits of smaller OECD member countries will drop further next year, reducing the need for fresh borrowing from the international banks.

Second, top quality borrowers are also discovering new ways of raising money at lower cost. During 1983 the floating rate note market emerged as a viable alternative for raising funding that could be tapped even by countries such as Tunisia and Egypt, whose Banque Misr launched a $40m note with a margin or ½ per cent in November.

Wishful thinkers in the syndicated credit market argue that the floating rate note phenomenon is a bubble that is bound to burst as investors become sated with this type of paper. Yet there is no immediate sign of this happening, and every indication that the floating rate note sector will hold on to its growing share of capital market transactions in 1984.

Third, there is no immediate sign of a let-up in the international debt problem. While Mexico has made significant progress in turning round its external balance of payments, it is still not strong enough to resume normal borrowing from international banks. Mexico, and indeed other countries in Latin America, will need new money in 1984, but expectations are that new loans will still have to be arranged on a forced lending basis. The amounts involved could also drop as payments balances improve.

All this adds up to a Eurocredit market which may register some increase in volume this year but which, for the time being anyway, will still see many banks chasing a limited amount of business. Margins had already dropped significantly in the last months of 1983. The margin over U.S. prime rate, which is costly to borrowers and lucrative to banks, has become a relative rarity in the syndicated loan market and seems likely to remain so.

In turn this means banks are likely to become increasingly preoccupied with improving their return on assets through, for example, the sale of sub-participations in the fledgling secondary market for syndicated loans.

The development of this market was one of the major features of 1983. It allows larger banks to park sub-participations in loans with other banks for limited periods. Often they are able, however, to retain part of the margin paid by the borrower as well as the original fees carried on the transaction. Meanwhile their balance sheets are freed up for more lucrative business so that their overall return can improve substantially.

But there is a deeper significance to the development of the secondary market in syndicated loans. It shows how the distinction is being gradually blurred between the Eurocredit market and the international bond markets. The concept of marketability is becoming increasingly important in international lending.

Now, with the move towards marketability in credits as well, lead managers of Eurocredits are beginning to behave more like investment bankers in the bond market.

Forecasts 1984

Interest rates remain a puzzle

BY MARY ANN SIEGHART IN LONDON

FOR MANY people in the Eurobond market, 1983 failed to live up to expectations. At the beginning, a U.S. discount rate cut of up to 150 basis points was predicted and even discounted by the market. In fact, the rate has remained at 8½ per cent ever since.

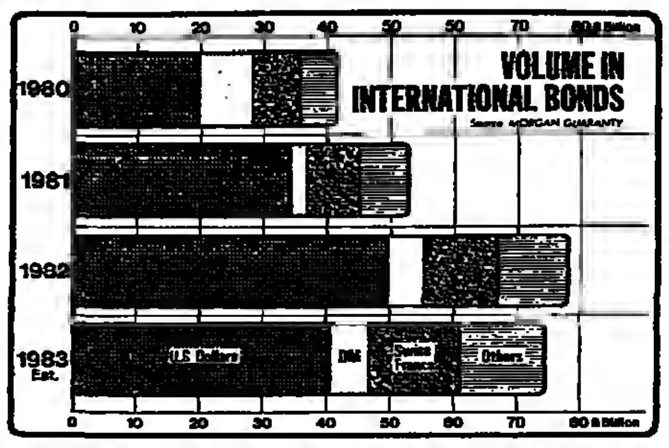
Eurodollar bond coupons, which dipped into single figures in January, are now over 12 per cent. Coupons on D-Mark Eurobonds have risen from a low of 6¾ per cent at the beginning of the year to nearer 8 per cent.

Yet total international bond issues, which include foreign bonds in domestic markets, are only just down on 1982's record volume. Taking Eurobonds on their own, Kredietbank Luxembourgeoise estimates that 1983 surpassed 1982 – a total of 481 Eurobonds were launched last year, totalling $44.2bn, compared with 544 issues worth $43.6bn the year before.

Two factors account for this apparent healthiness against all the odds. One is that new issue managers worked hard at tapping investor interest, whether it be in equity-linked bonds or floating rate notes.

But the other, probably rather encouraging point, is that interest rates do not need to go down to keep a bond market alive – they just have to hiccough every now and again. Now that Eurobond houses have got used to the high volume levels of 1982, any window opened by a tick-down in rates is rapidly tapped. This happened in January, March, May and September in the straight dollar sector.

The "window" effect of volatility in rates will probably be enhanced in 1984 if there is a steady rise of 50–100 basis points first. Even though the Eurobond market was highly competitive compared with the U.S. domestic market for much of last year, many borrowers held back because they felt that the absolute level of interest rates was still too high. But if borrowers see rates rising this year, they may decide to finance regardless as soon as they have the chance in the hope that they have still tapped the market at, or near, its bottom.



It is hardly surprising that these borrowers are confused about the direction of interest rates. They were wrong in 1983 when most people expected rates to fall. Now they are being given a far from unanimous view by the experts.

Opinions are deeply divided about the prospects for bonds this year. Most international bond markets take their lead from New York and that depends on the performance of the U.S. economy.

Opinion is equally divided about the dollar, which defied most predictions by strengthening dramatically in 1983.

However, the U.S. faces serious problems with its current account balance of payments deficit and this may weaken the dollar in 1984.

Such a development would benefit non-dollar bond markets at the expense of Eurodollar bonds.

So much for the general outlook: what about specific markets? In the dollar sector, the boom in floating rate notes which began in the second half of 1983 should continue. On the investor side, banks are still searching for good-quality, marketable assets. Banks are likely to be the major borrowers too, as the straight market has already seen a surfeit of bank issues and investor resistance to them is high. If the market continues to be strong, there will probably be a narrowing of spreads, making floating rate notes even more attractive as a competitor to syndicated loans.

It may, on the other hand, be a bad year for straight bonds. Last year saw a movement away from fixed-rate dollar bonds – they were 59.9 per cent of the total compared with 67.4 per cent in 1982.

Banks made up a large part of that new issue volume, often swapping their fixed-rate money for floating rate funds, and they are likely to move increasingly towards raising floating rate money directly in the FRN market. Corporations are reaping the benefit of improved cash flows and in many cases may remain cautious about investment and expansion. With a positive yield curve, they can borrow short-term funds at much cheaper rates. The only factor which might bring them back is a fear that rates will rise further.

If withholding tax on U.S. securities bought by foreigners is abolished or reduced, Eurodollar and U.S. domestic yields are likely to move closer, and those Euroband houses without a U.S. presence may find themselves at a disadvantage.

Secondary market trading may prove to be more profitable than management of new issues, especially if the yield curve remains positive and there is "positive carry" for traders, through which they can finance their holdings of bonds at rates lower than the coupon interest they receive.

The D-Mark sector is also heavily reliant on the New York market and most dealers in Germany are cautious about prospects for this year. Currency movements may help them, particularly if European and Far Eastern investors decide to take their dollar profits and move into other currencies.

The foreign bond market in Switzerland is in a similar position in currency terms. As for new issues, Japanese companies have tapped it heavily this year, taking up nearly half of the new issue volume and much more than that in terms of numbers of issues. Swiss bankers expect this trend to continue – provided the Tokyo stock market stays strong.

The recent abolition of the new issue calendar for public bonds by the Swiss National Bank might fuel a move from private placements to public issues and the Swiss market may find itself operating more along the lines of the dollar sector, with new issue windows opening and shutting.

Both the Eurosterling and the European Currency Unit (Ecu) markets saw rapid growth in new issues. The increase in liquidity and issue volume may well attract new borrowers and investors.

Meanwhile, the Euroyen market should be given a fillip from April of this year. The Japanese Ministry of Finance is to allow Japanese companies to issue Euroyen bonds and to launch bonds linked with currency swaps. It has not yet been confirmed, though, that the bonds will be exempted from withholding tax on interest payment to investors.

BHF Bank bond average

Jan 2		Previous
98.306		98.273
High	1983	Low
102.017		97.699

TENDERS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES (Y), WATLING STREET, LONDON EC4M 9AA NOT LATER THAN 10.00 A.M. ON THURSDAY, 5TH JANUARY 1984, OR AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON WEDNESDAY, 4TH JANUARY 1984.

ISSUE BY TENDER OF £300,000,000
2 per cent INDEX-LINKED TREASURY STOCK, 1990

PAYABLE IN FULL WITH TENDER
INTEREST PAYABLE HALF-YEARLY ON 25TH JANUARY AND 25TH JULY

1. The Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.
2. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for the above Stock.
3. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.
4. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers will be free of stamp duty.
5. If not previously redeemed under the provisions of paragraph 14, the Stock will be repaid on 25th January 1990. The value of the principal on repayment will be related, subject to the terms of this prospectus, to the movement, during the life of the Stock, of the United Kingdom General Index of Retail Prices maintained by the Department of Employment, or any index which may replace that index for the purposes of this prospectus, such movement being indicated by the Index figure issued monthly and subsequently published in the London, Edinburgh and Belfast Gazettes.
6. For the purposes of this prospectus, the Index figure applicable to any month will be the Index figure issued seven months prior to the relevant month and relating to the month before that prior month: "month" means calendar month; and the Index ratio applicable to any month will be equal to the Index figure applicable to that month divided by the Index figure applicable to January 1984.
7. The amount due on repayment, per £100 nominal of Stock, will be £100 multiplied by the Index ratio applicable to the month in which repayment takes place. This amount, expressed in pounds sterling to four places of decimals rounded to the nearest figure below, will be announced by the Bank of England not later than the business day immediately preceding the date of the penultimate interest payment.
8. Interest will be payable half-yearly on 25th January and 25th July. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post.
9. The first interest payment will be made on 25th July 1984 at the rate of £1.1333 per £100 nominal of Stock.
10. Each subsequent half-yearly interest payment will be at a rate, per £100 nominal of Stock, of £1 multiplied by the Index ratio applicable to the month in which the payment falls due.
11. The rate of interest for each interest payment other than the first, expressed as a percentage in pounds sterling to four places of decimals rounded to the nearest figure below, will be announced by the Bank of England not later than the business day immediately preceding the date of the previous interest payment.
12. If the Index is revised to a new base after the Stock is issued, it will be necessary, for the purposes of the preceding paragraphs, to calculate and use a notional Index figure in substitution for the Index figure applicable to the month in which repayment takes place and/or an interest payment falls due ("the month of payment"). This notional Index figure will be calculated by multiplying the actual Index figure applicable to the month of payment by the Index figure on the old base for the month on which the revised Index is based and dividing the product by the new base figure for the same month. This procedure will be used for each occasion on which a revision is made during the life of the Stock.
13. If the Index is not published for a month for which it is relevant for the purposes of this prospectus, the Bank of England, after appropriate consultation with the relevant Government Department, will publish a substitute Index figure which shall be an estimate of the Index figure which would have been applicable to the month of payment, and such substitute Index figure shall be used for all purposes for which the actual Index figure would have been relevant. This calculation by the Bank of England of the amount of principal and/or interest payable on the basis of a substitute Index figure shall be conclusive and binding upon all stockholders. No subsequent adjustments to such amounts will be made in the event of subsequent publication of the Index figure which would have been applicable to the month of payment.
14. If any change should be made to the coverage or the basic calculation of the Index which, in the opinion of the Bank of England, constitutes a fundamental change in the Index which would be materially detrimental to the interests of stockholders, Her Majesty's Treasury will publish a notice in the London, Edinburgh and Belfast Gazettes immediately following the announcement by the relevant Government Department of the change, informing stockholders and offering them the right to require Her Majesty's Treasury to redeem their Stock. For the purposes of this paragraph, repayment to stockholders who exercise this right will be effected, on a date to be chosen by Her Majesty's Treasury, not later than seven months from the last month of publication of the old Index. The amount of principal due on repayment and of any interest which has accrued will be calculated on the basis of the Index ratio applicable to the month in which repayment takes place. A notice setting out the administrative arrangements will be sent to stockholders at their registered address by the Bank of England at the appropriate time.
15. Tenders must be lodged at the Bank of England, New Issues (Y), Watling Street, London, EC4M 9AA not later than 10.00 A.M. ON THURSDAY, 5TH JANUARY 1984, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 P.M. ON WEDNESDAY, 4TH JANUARY 1984. Each tender must be for one amount and at one price which is a multiple of 25p. Tenders will not be revocable between 10.00 a.m. on Thursday, 5th January 1984 and 10.00 a.m. on Tuesday, 10th January 1984. TENDERS LODGED WITHOUT A PRICE BEING STATED WILL BE REJECTED.
16. Tenders must be accompanied by payment in full, i.e. the price tendered for every £100 of the nominal amount of Stock tendered for. A separate cheque must accompany each tender; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.
17. Tenders must be for a minimum of £100 nominal of Stock and for multiples of Stock as follows:—

Amount of Stock tendered for	Multiple
£100-£1,000	£100
£1,000-£3,000	£500
£3,000-£10,000	£1,000
£10,000-£50,000	£5,000
£50,000 or greater	£25,000

18. Her Majesty's Treasury reserve the right to reject any tender or part of any tender and may therefore allot to tenderers less than the full amount of the Stock. Tenders will be ranked in descending order of price and allotments will be made to tenderers whose tenders are at or above the lowest price at which Her Majesty's Treasury decide that any tender should be accepted (the allotment price). All allotments will be made at the allotment price: tenders which are accepted and which are made at prices above the allotment price will be allotted in full; tenders made at the allotment price may be allotted in full or in part only. Any balance of Stock not allotted to tenderers will be allotted at the allotment price to the Governor and Company of the Bank of England, Issue Department.
19. Letters of allotment in respect of Stock allotted, being the only form in which the Stock may be transferred prior to registration, will be despatched by post at the risk of the tenderer, but the despatch of any letter of allotment, and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the tenderer's cheque has been paid. In the event of such withholding, the tenderer will be notified by letter by the Bank of England of the acceptance of his tender and of the amount of Stock allocated to him, subject in each case to payment of his cheque, but such notification will confer no right on the tenderer to transfer the Stock so allocated.
20. No allotment will be made for a less amount than £100 Stock. In the event of partial allotment, or of tenders at prices above the allotment price, the excess amount paid will, when refunded, be remitted by cheque despatched by post at the risk of the tenderer; if no allotment is made the amount paid with tender will be returned likewise. Non-payment on presentation of a cheque in respect of any Stock allotted will render the allotment of such Stock liable to cancellation. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum may, however, be charged on the amount payable in respect of any allotment of Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.
21. Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London EC4M 9AA, or by any of the Branches of the Bank of England, on any date not later than 9th February 1984. Such requests must be signed and must be accompanied by the letters of allotment. Letters of allotment, accompanied by a completed registration form, may be lodged for registration forthwith and in any case they must be lodged for registration not later than 13th February 1984.
22. Tender forms and copies of this prospectus may be obtained at the Bank of England, New Issues, Watling Street, London EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England, 25 St. Vincent Place, Glasgow G1 2EB; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast BT1 5BN; at Mullens & Co., 15 Moorgate, London EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom.

BANK OF ENGLAND.
LONDON.
29th December 1983

THIS FORM MAY BE USED
TENDER FORM

This form must be lodged at the Bank of England, New Issues (Y), Watling Street, London, EC4M 9AA not later than 10.00 A.M. ON THURSDAY, 5TH JANUARY 1984, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England (25 St. Vincent Place, Glasgow, G1 2EB) not later than 3.30 P.M. ON WEDNESDAY, 4TH JANUARY 1984.

ISSUE BY TENDER OF £300,000,000
2 per cent Index-Linked Treasury Stock, 1990

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We tender in accordance with the terms of the prospectus dated 29th December 1983 as follows:—

Amount of above-mentioned Stock tendered for, being a minimum of £100 and in a multiple as follows:—

Amount of Stock tendered for	Multiple
£100-£1,000	£100
£1,000-£3,000	£500
£3,000-£10,000	£1,000
£10,000-£50,000	£5,000
£50,000 or greater	£25,000

1. NOMINAL AMOUNT OF STOCK £

Sum enclosed, being the amount required for payment in full, i.e. the price tendered for every £100 of the nominal amount of Stock tendered for (shown in Box 1 above):— 2. AMOUNT OF PAYMENT (a) £

The price tendered per £100 Stock, being a multiple of 25p (tenders lodged without a price being stated will be rejected):— 3. TENDER PRICE (b) £ : p

I/We request that any letter of allotment in respect of Stock allotted to me/us be sent by post at my/our risk to me/us at the address shown below.

Dated .... SIGNATURE of, or on behalf of, tenderer

PLEASE USE BLOCK LETTERS

MR/MRS MISS	FORENAME(S) IN FULL	SURNAME
FULL POSTAL ADDRESS:—		
FT	POST-TOWN	COUNTY	POSTCODE

a A separate cheque must accompany each tender. Cheques should be made payable to "Bank of England" and crossed "New Issues". Cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.
b Each tender must be for one amount and at one price which is a multiple of 25p.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Forecasts 1984

Fed faces tough decisions on timing of interest rate rises

THE U.S. Federal Reserve Board enters 1984 in the hot seat. As the U.S. enters year two of its recovery it is Mr Paul Volcker, the Fed chairman, and the policy-making Federal Open Market Committee (FOMC) who will be making all the tough decisions.

Their actions will determine not only the performance of the U.S. economy in 1984 but also the prospects for sustained non-inflationary recovery in other industrialised nations and the hoped-for return to financial health of many debt-ridden Third World countries.

In fact the Fed may be boxed in by a unique set of domestic and international constraints. This is reflected in the sharp divergence of Wall Street's year-end interest rate projections.

The real problem for Wall Street may well turn out to be that it is impossible to "factor in" the November 1984 Presidential election to any computer model of the U.S. economy.

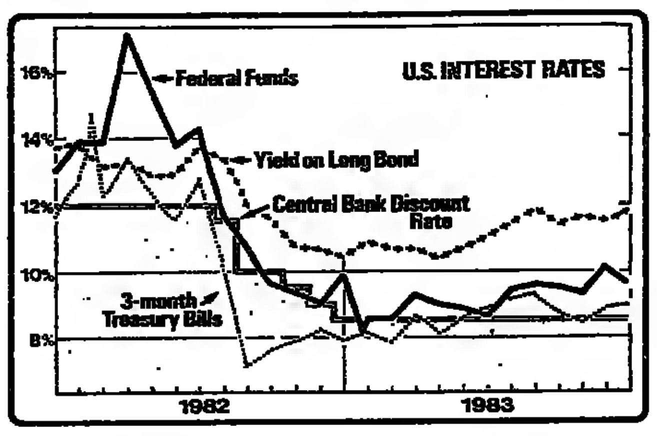
There are other serious uncertainties. In particular, no one is quite sure how the U.S. economy will perform against the backdrop of a still sluggish recovery overseas—indeed Wall Street cannot quite make up its mind on whether the recovery in the U.S. itself is slowing.

In effect the credit markets have moved from a stage one rally through a stage two period of intense nervousness, and are now emerging into an even more uncertain stage three. The markets enter it from a distinctly unhealthy perspective.

While all the 1983 projections had U.S. interest rate dropping about a full percentage point from the end of 1982, the reverse was in fact true.

There has been no change in the Fed's discount rate for more than 12 months: it still stands at 8.5 per cent. The prime rate managed to nudge down half a percentage point to 11.00 per cent but the Fed funds rate, a key determinate of other short-term rates remained virtually unchanged throughout the year trading in a tight 9.00 per cent to 9.75 per cent range.

Meanwhile the three-month Treasury bill rate closed at 8.95 per cent compared to under 8.00 per cent a year ago while the Treasury long bond rate moved up from around 10.70 per cent to 11.88 per cent at the year end.



The pattern of rates has indeed been uneven, offering short "windows" to investors and borrowers alike, but the general perspective throughout 1983 has remained relatively gloomy. In part this reflects the impact of continuing concern about the U.S. budget deficit, predicted at around $170bn next year, and about inflation, which, while it has shown relatively little sign of any uptick, still scares the credit markets.

While the U.S. credit markets provide a very healthy real rate of return for domestic and international investors, there has still been a noticeable downturn in retail interest.

Likewise from the point of view of the corporate treasurer the U.S. credit markets have provided few real openings in the past year. Indeed total corporate credit demand in 1983 fell below that in 1982 by around 13 per cent. This however probably mainly reflected the resurgence of internally generated funds.

One of the key questions this year will be whether the profits surge continues to satisfy investment demand or — as appears more likely—inventory rebuilding and other factors will push up corporate borrowing.

One of the key market questions this year will be to what extent corporations do indeed tap the U.S. credit markets for funds. While both corporate and consumer credit demands are expected to rise, the magnitude of the increase remains uncertain.

Salomon Brothers predicts that net new credit demand in 1984 will rise to $543m compared to $515m in 1983 and $405m in 1982.

The great unknown factor, however, is how the Fed will respond to the expected slowdown in the U.S. economic recovery, inflationary fears, and "election fever" pressure from Capitol Hill and the White House.

The major Wall Street investment houses are totally split on their projections. Generally the monetarists believe the Fed has firmed already, that the economy will slow sharply in 1984 first half, and that interest rates will decline initially and could then rebound. The flow of funds analysts believe the economy will slow more gradually but that nevertheless interest rates will be higher at the year end.

For example Citicorp's chief economist, Lief Olsen, believes that short-term rates could ease about one percentage point during the first half but by the end of 1984 predicts that the funds rate will be at 10.75 per cent, three month T bills at 10.35 per cent and the Treasury long bond at 12.00 per cent.

Dr Kaufman of Salomon, in his year-end review, predicts that the Fed will "tighten in 1984 but not dramatically at any one time." As a result he says there will be "a persistent if irregular rise in short and long-term rates." At mid-year, Dr Kaufman predicts, Fed funds will be between 10 per cent and 10.5 per cent rising to 10.75 per cent or 11 per cent at the year-end.

In addition Dr Kaufman predicts that Treasury yields could be pushed up to over 12.5 to 13 per cent and that high grade industrial yields "could approach 13.5 per cent" by the year end.

The ultimate "bear" argument in the market at present is that it does not really matter what the Fed does—rates will rise. This is based on the belief that if the Fed eases it will re-ignite inflationary fears, pushing rates up, if the Fed firms rates will move higher anyway and if it does nothing the market will push rates higher regardless.

The strongest bullish argument is that the Fed, seeing the economy is slowing already—witness the latest November leading economic indicators—will do nothing rash or startling but will continue to operate a flexible policy

It is, as always, a balancing act for the Fed. But with 1984 as an election year it will be even more so. The markets would love a short-term shift towards monetary easing but the reality is that given such a shift inflation fears could soon take over, pushing long, and eventually short, term rates, higher again.

In particular the Fed must judge the timing of any move not only against the performance of the U.S. economy—but against the backdrop of a nervous market. This will be the subject of the FOMC meeting in two weeks time. That meeting will set the monetary and other targets for 1984 which will then be presented to Congress by Mr Volcker next month.

It appears inconceivable at the moment the Fed chairman will get any easy ride. Particularly if he continues to stress the importance of bringing down the budget deficit—something that appears as politically elusive as ever.

Paul Taylor

Agreement near on ERT debt

By David White in Madrid

FOREIGN CREDITORS of Union Explosivos Rio Tinto (ERT), the Spanish chemical group which more than a year ago stopped repayments on approximately $1bn worth of debt, are due to receive today the final draft of an agreement covering debt rescheduling and restructuring of the company, according to bankers.

A new target date has been set for the end of the month, for signature of the agreement between ERT and more than 120 Spanish and foreign creditor banks.

By sending out the copies of the proposed agreement, ERT has quelled fears that it might opt instead to seek a solution at the hands of receivers by applying for an official suspension of payments.

Company executives and members of the creditors' steering committee worked throughout the Christmas holidays in order to iron out differences over the wording of the agreement, based on the third version of a rescue plan put forward by Sr Jose Maria Escondrillas, the ERT chairman.

The 14 banks on the steering committee have unanimously recommended the 200-page document, produced in Spanish and English versions.

The plan involves the first application in Spain of participative credits, an instrument copied from the French model and introduced under the Spanish Government's new Industrial Reconversion Law.

Record European car sales for GM in 1983

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS, the world's largest automotive group, had its best-ever year for car sales in Europe during 1983.

By the end of November it had sold 1,090,000 Opel and Vauxhall cars, beating its previous record set in 1978.

The key element in GM's performance was the introduction of its new small car, built in Spain and sold as either the Opel Corsa or the Vauxhall Nova.

In only 13 months the new Zaragoza plant produced 250,000 Corsa-Novas and the 9,000 employees are already building 1,200 a day.

In 1983 GM sold about 190,000 Corsa-Novas with Spain (40,000), France (32,000), West Germany (30,000), the UK (25,000) and Italy (20,000) the leading markets.

According to Mr Ferdinand Beickler, Opel chairman and GM vice-president, "the Corsa has opened the Spanish market to all Opel products. The company has become the leading importer in Spain, while the Corsa is now the number one car exported from that country."

The European record was also helped by considerable increases in GM's two "domestic" markets. In West Germany Opel increased its market share from 16.2 per cent in 1981 to 18.2 per cent in 1982 to about 18.5 per cent last year. Opel's 1983 volume sales in Germany increased by 15 per cent or 60,000 cars.

The best-selling Opel in Germany was the Kadett with over 191,000 registrations followed by the Ascona with 120,000.

In Britain Vauxhall's registrations jumped 44 per cent last year from the 1982 level to more than 261,000. The company ended 1983 with a market share of 14.6 per cent compared with only 8.5 per cent two years ago.

Rescue consortium sells ailing bank to Varde

COPENHAGEN—Varde Bank has taken over the Henriques Bank, which was rescued from virtual collapse 20 months ago to avert a crisis of confidence in Danish banking.

Varde Bank said it had bought all the shares in Henriques for DKr 90m ($9m) from a rescue consortium of Denmark's three largest banks. Henriques said the takeover was welcomed.

The purchase is effective from January 1 but the full merger will take place in two years' time. Until then, Henriques will probably continue to operate under its own name.

The consortium, comprising Privatbanken, Danske Bank, and Copenhagen Handelsbank, stepped in to save Henriques Bank in April 1982, fearing that its collapse could shake international confidence in the Danish banking system.

Varde had balance sheet assets of about DKr 5.5bn at the end of 1983, against DKr 4.5bn in 1982. It has 40 branches in Denmark. Henriques has assets of between DKr 500m and DKr 600m according to a joint press statement.

Reuter.

Israeli bank shares fall

THE MARKET value of Israeli commercial bank shares dropped 55 per cent in 1983 to $5.33bn, according to a survey by Securiteam Financial Consultants, Reuter reports from Tel Aviv.

The shares plummeted in September and October when Israeli investors, fearing a devaluation of the Shekel, pulled out of the market to buy foreign currency.

The deluge of selling orders forced the government to step in to guarantee the long-term dollar value of the commercial banks.

INTERNATIONAL APPOINTMENTS

Financial directors for HK Land

Mr Simon Keswick, the chairman of Jardine Matheson, has announced the appointment of new financial directors for Jardine's and ailing sister company HONGKONG LAND, our Hong Kong correspondent reports.

Mr Peter Collins, previously group financial controller of Jardines will become financial director. Mr Collins, 45, joined Jardines in 1974 and was company secretary of Jardine Fleming and then finance director of Jardines' regional office in Singapore before returning to Hong Kong in 1979 as manager of the trading accounts department.

Mr Nigel Rich, 38, takes over as Hongkong Land's financial director, after secondment last year from Jardines, with the title of Group General Manager Finance. Both men will be main board members of Jardines, and their appointments are seen as furthering Mr Keswick's control in revamping the two companies. In September, Hongkong Land reported a first-half loss of HK$107.1m compared to 1982's half-year profit of HK$543m.

Mr Keswick also appointed two new assistant directors, Mr Alasdair Morrison who will be responsible for personnel, and Mr Timothy Westinghouse, the new president and chief executive officer of Jardine Matheson, (North America).

● Mr Giorgio Piantini, vice-president of the Banco Popolare di Milano, has been appointed to the board of NUOVO BANCO AMBROSIANO, the successor to the defunct Banco Ambrosiano, following a meeting of the Nuovo Ambrosiano board.

● CHRYSLER CORP has appointed Mr Harold G. Jones as manager, industrial engineering, for the corporation's stamping, assembly and diversified operations group.

● EUROPEAN AMERICAN BANK has promoted four officers to senior vice president. They are: Mr John H. Collins, Mr Mieczyslaw Karczmar, Mr Lawrence D. Ryan and Mr Paul S. Starke. Also appointed were: Mr Neil F. Hall, Mrs Jane I. Hill, Mr Jamie K. Leonard, Mr David F. Simsen, Mr Brian G. Tyler, Ms Anne Marie Verstraeten and Mr Joseph J. Wisneski, vice-presidents.

● CPC INTERNATIONAL INC. has elected four executives in its corn wet milling operations as vice-presidents from January. Newly elected vice-presidents are: Mr C. Richard Shoemate, who will serve also as vice-president of the corn wet milling division with responsibility for technical co-ordination and support; Mr Fred C. Meendsen, who has been appointed president—North American region of the division; Mr Paul Tjepkema, president—European region; and Mr Andre Osser, president—Latin American region Mr Shoemate has served recently as assistant to the president of CPC North America.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex O/S Fin. 10¼ 90	100	94¼	94¾	0	+0½	11.53
Australia Com. 11¾ 90	150	100¾	101¼	0	+0¾	11.01
Australia Com. 11¼ 95	300	96½	97	+0¼	+0¾	12.01
Australia Com. 11¾ 98	100	96¾	97¼	−0½	+0½	12.07
Bk. of Tokyo Hd. 11 90	100	94¾	94⅞	+0¾	+0½	12.25

	Issued	Bid	Offer	Change on day	Change on week	Yield
Shikoku Elec. Pwr. 8 91	150	*103½	103¾	+0¾	+2	5.42
Sumitomo Hvy. I. 8 91	100	*102	102¼	0	+0¼	5.65
Tokyo Elec. Pwr. 5⅞ 91	100	*103	103¼	0	+0½	5.36
Trizec Corpn. 6⅛ 93	100	*101½	101¾	+1	+1¾	5.90

Average price changes... On day +0¼ on week +0½

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	2,714.0	4,626.4
Previous week	3,776.8	9,991.9
Other bonds		
Last week	893.2	487.4
Previous week	1,178.7	1,395.9

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Blyth, Eastman, Paine, Webber International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International.; Wood Gundy.

Closing prices on December 30

UK COMPANY NEWS

Standard Chartered and MAIBL integrated

The businesses of Standard Chartered Merchant Bank and MAIBL were fully integrated with effect from December 31 1983.

Standard Chartered Merchant Bank acquired MAIBL, one of the earliest and most successful of the consortium banks, last February.

The merged bank has balance sheet footings in excess of £1.5bn, making it one of London's largest merchant banks, and strengthening its position as the hub of the Standard Chartered Group's international merchant banking network.

Details of the corporate restructuring are: On December 31, MAIBL assumed the assets and liabilities of Standard Chartered Merchant Bank, and changed its name to Standard Chartered Merchant Bank Limited. It becomes the operating banking company in the UK of the Standard Chartered Group's merchant banking network.

On the same day, the existing Standard Chartered Merchant Bank changed its name to SCMB Holdings. As the name implies, it is now the holding company for the UK merchant bank.

Mixed performance in new business at Prudential

The Prudential Corporation, Britain's largest life assurance group, reports an 11 per cent rise on its worldwide new annual premiums from £279.3m to £310.3m and a one-third improvement on single premium business from £208.7m to £277.3m.

But the underlying picture from the various sectors and companies within the Pru group shows a varied pattern with some notable rises in business and a few setbacks.

The Prudential Assurance Company, the main UK member of the Corporation, recorded a 27 per cent increase in new annual premiums on its UK business thanks to the changeover to MIRAS, the new method of credit giving tax relief on mortgage interest. Sales of mortgage-related contracts saw new annual premiums expand from £1.4m in 1982 to £23m in 1983, even though the Pru was not on any building society special scheme panel.

Sales of ordinary traditional contracts remained steady at around £45m, while the Pru maintained the growth in self-employed business seen in 1982, with annual premiums unchanged at around £34m.

The other success story of Prudential Assurance lies in its intense marketing of linked life business. Here single premiums last year jumped from £6.3m in 1982 to £48m and more than accounted for the doubling of single premium business from £31m to £72.7m. Linked life annual premiums rose from £7.1m to £7.6m.

Group pensions business was hit by the recession in 1983. New annual premiums remained steady at £39.3m, but single premiums were cut by a quarter from £45m to £33.3m.

New annual premiums on overseas business rose by over 20 per cent in sterling terms from £42.4m to £51.3m, while single premiums improved by 18 per cent from £88.1m to £104.4m. Part of these increases came from currency changes, but there was real growth in many territories, especially in Canada.

However, the Pru's Industrial life business—where premiums are paid weekly or four-weekly and collected by agents at the homes of policyholders—took a setback in 1983 after outperforming this market in 1982. New annual premiums declined nearly 5 per cent from £75.7m to £72.3m.

The success story for Vanbrugh Life Assurance, the specialist linked life company in the Corporation, lies with its Jersey based currency fund. Here the money invested doubled last year from £28.4m to £59.4m because of the favourable tax treatment given to offshore currency funds (now stopped by the Revenue). This business is not in life or pensions and is not included in the Corporation's global figures.

But this growth was achieved partially at the expense of normal linked business, where single premiums fell 15 per cent from £37.6m to £32m. Linked bond business fell from £34.8m to £28.6m and self-employed pensions single premiums from £2.8m to £2.3m. Annual premiums rose from £2m to £2.4m with a decline in self-employed executive pensions sales.

The specialist reinsurance member of the group, Mercantile and General Reinsurance, recorded good increases in long-term insurance business. Net new annual premiums business on life climbed 11 per cent from £26.9m to £29.9m, while single premiums advanced from £7m to £34.9m. New annual premiums on long term sickness and accident rose 20 per cent from £8.6m to £10.3m.

Higher bonuses from Scottish Widows' Fund and Life

THE Scottish Widows' Fund and Life Assurance Society has declared higher reversionary bonuses for the three years to December 31 1983 and higher terminal bonus rates for claims in 1984.

On ordinary life business, the reversionary bonus rate consists of a basic rate of £5.10 per cent, the same as the 1983 interim rate, with the increase coming as a 40p per cent special rate. This makes a total bonus of £5.50 per cent of the sum assured and attaching bonuses compounded annually.

The company has done the same for the pension business rates on personal and individual pension contracts. The basic rate of £6 per cent is the same as the 1983 interim rate and there is a 40p per cent special rate, making a total rate of £6.40 per cent of the basic benefit plus attaching bonuses, compounded annually.

The interim bonus rates for 1984 are £5.10 per cent for ordinary business and £6 per cent for pensions business.

The terminal bonus scale is improved at all years of entry by £2 per cent of the sum assured and attaching bonuses.

Yorkshire-General, the life specialist of the General Accident Group, has announced unchanged reversionary bonuses for 1983, but slight improvements in the terminal bonus rates for 1984.

On life policies taken out since 1982, the reversionary bonus rate remains at £5 per cent of the sum assured and £5.50 per cent of attaching bonuses. The terminal bonus rate is lifted from 45 per cent to 50 per cent of attaching bonuses.

On policies taken out prior to 1982, the reversionary bonus remains at £7.50 per cent of the sum assured, with increases in the terminal bonus scales.

No growth in pub trade at Devenish

PUBLIC HOUSE trade is not growing and the current year's results of J. A. Devenish will include a bigger contribution from economies in operation and some new activities which have been started, especially in the soft drinks and wine sectors.

Mr R. S. Hargreaves, chairman of this Weymouth based brewer, says last year was "very difficult and somewhat disappointing" because of minimal growth in overall beer volumes and constraint on prices caused by competition.

In recent years the price of beer has increased considerably more than movements in the retail price index, causing beer in a public house to be "relatively expensive" and so volume sales are affected. He explains this is partly to do with production and material costs, but largely to do with the duty increases compounded by VAT.

Over half of the company's business is in beers sold through public houses and this particular form of leisure activity "is not growing," although a significant number of well-run pubs do steadily increase their trade. In an effort to obtain business in the buoyant take home trade, the company has introduced a glass litre non-returnable package of Grunhalle Lager and John Devenish Bitter.

Mr Hargreaves assures his shareholders that the directors will continue to take every appropriate opportunity which the West of England trading area provides. Major improvements are in hand at Ilchester Arms, Abbotsbury, and the Springhead Inn, Sutton Poyntz. Negotiations are on to purchase a public house in Plymouth as part of the plan to develop trade there.

The chairman says that in the year ended September 30, 1983 the group continued its policy of recycling capital from the sale of redundant property into public house and plant improvements. Some £738,000 was realised from the sale of ten properties (licensed and unlicensed), including the Greenbank Hotel, Falmouth. This was eventually sold in March, but during the winter months a further substantial trading loss was sustained.

FINANCIAL TIMES STOCK INDICES

	Dec. 30	Dec. 29	Dec. 28	Dec. 23	Dec. 22	Dec. 21	1983 High	1983 Low	Since Compilatn High	Since Compilatn Low
Government Secs.	83.12	83.15	83.37	83.16	83.14	82.93	83.70	77.00	127.4	49.18
Fixed Interest	86.41	86.36	86.35	86.26	86.25	86.06	86.41	79.05	150.4	50.53
Industrial Ord	775.7	772.5	775.6	775.0	776.3	772.0	776.3	598.4	776.3	49.4
Gold Mines	575.7	580.9	594.0	582.4	579.5	580.1	734.7	444.3	734.7	43.5
FT-Act. All-Share	470.50	468.89	470.01	469.24	462.04	468.05	470.50	382.22	470.50	61.92

FT share information

The following securities have been added to the Share Information Service:

Technology for Business (Section: Industrials).

LADBROKE INDEX
767-772 (+3)
Based on FT Index
Tel: 01-493 5261

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$375	6	19	—	—	—	—	$385
GOLD C	$400	32	7	37	19	—	—	"
GOLD C	$425	20	9	9	10	2	14.60	"
GOLD C	$450	9	1.80	12	6	—	—	"
GOLD P	$350	30	1.50	15	3.50	—	—	"
GOLD P	$375	20	4	—	—	—	—	"
GOLD P	$400	9	16	—	—	—	—	"
		March		June		Sep.		
SILV C	$10	—	—	—	—	25	1.10	$9
SILV P	$ 9	200	0.70	—	—	600	1A	"
		Jan.		April		July		
ABH C	F.380	88	9	65	23.50 B	7	25.50 B	F.384
ABN P	F.360	22	0.40	48	3.20	4	9.20	"
AH C	F.180	44	23	65	27	5	30	F.203.60
AH C	F.190	96	14.50	34	20	1	96 a	"
AH C	F.200	—	—	35	13	58	19	"
AH P	F.190	—	—	51	2.30 A	—	—	"
AKZO C	F.70	50	33 B	35	30	2	32 a	F.103
AKZO C	F.80	249	23	139	24.50	10	26 B	"
AKZO C	F.90	695	13 B	418	17	27	18	"
AKZO C	F.100	350	6	512	9.30	163	11.70	"
AKZO P	F.90	12	0.30	319	1	67	2.60	"
AKZO P	F.100	146	1.20	316	3.70	162	6.50	"
AMRO C	F.50	114	4.30	146	7	10	7.50 a	F.53.80
AMRO C	F.55	48	1	295	3.60	48	4.70	"
AMRO P	F.50	60	0.50	24	2 B	20	2.20	"
GIST C	F.150	67	14	19	21	—	—	F.174.50
GIST C	F.160	67	6.90	72	14.50	14	17.50	"
HEIN C	F.170	70	17 a	—	—	—	—	F.136.80
HEIN C	F.190	241	7.80	161	19.50	46	14.50 a	"
HEIN P	F.130	212	2.40	171	7.50	16	9	"
HOOG C	F.40	225	11.50	990	13 B	19	14	F.51.60
HOOG C	F.40	25	6.70	201	9.50	180	11.10	"
HOOG P	F.45	—	—	354	6.50	950	2	"
HOOG P	F.50	2	0.40 A	47	1.50	21	2.50 A	"
KLM C	F.170	141	25.50	—	—	—	—	F.195.70
KLM C	F.180	112	16.50	21	24.50	—	—	"
KLM C	F.190	221	7.90	66	16.80	10	25	"
KLM C	F.200	85	3.50	150	19.70	6	17.20	"
KLM P	F.190	69	1.30	42	5.30	3	2	"
KLM P	F.200	50	7	17	10 A	—	—	"
NEDL C	F.90	60	20	—	—	—	—	F.110.20
NATN C	F.190	59	14	29	15.60	—	—	F.201
NATN C	F.200	12	5	126	12	33	14.50	"
NATN P	F.190	—	—	174	6	3	4	"
PHIL C	F.40	86	5.20	19	7.10	14	8.20	F.45.30
PHIL C	F.45	200	1.30	159	4	195	5	"
PHIL C	F.50	408	0.30	305	2.10	117	3	"
PHIL C	F.55	60	0.10	82	1	—	—	"
PHIL P	F.45	162	0.90 a	67	2	—	—	"
RD C	F.120	47	19.50	10	23	—	—	F.139.70
RD C	F.130	331	10.10	138	15.20	1	16.40	"
RD C	F.140	693	3.40	280	9.70	132	10.70	"
RD C	F.150	101	0.40	696	4.50	—	—	"
RD P	F.130	37	0.40	171	1.30	39	3.20	"
RD P	F.140	157	3	147	6.20	86	8	"
UNIL C	F.240	62	17.50	3	22	—	—	F.256.90
EOE C	F.140	3	24.50	1	25.10	—	—	F.166.54
EOE C	F.145	11	19	—	—	—	—	"
EOE C	F.150	1	16	6	14	—	—	"

TOTAL VOLUME IN CONTRACTS: 17,430

A=Ask B=Bid C=Call P=Put

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Over-the-Counter Market

Capitalisatn. £000's	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
5,488	Ass. Brit. Ind. Ord.	123	+1	6.4	5.2	7.2	5.4
—	Ass. Brit. Ind. CULS	135	+1	10.0	7.4	—	—
4,342	Airsprung Group	75	−1	8.1	8.1	21.4	21.4
725	Armitage & Rhodes	29	+1	—	—	—	—
33,682	Bardon Hill	270	+4	7.2	2.7	11.0	22.4
2,970	Bray Technologies	54	—	2.7	5.0	9.7	10.8
2,487	CCL Ordinary	200	—	5.0	2.5	4.5	6.4
—	CCL 11pc Conv. Pref.	143xd	—	15.7	11.0	—	—
1,581	Cindico Group	100	—	17.8	17.8	—	—
4,065	Deborah Services	52	+1	6.0	11.5	27.8	45.2
12,375	Frank Horsell	152	—	—	—	7.8	12.6
—	Frank Horsell Pr Ord 87	170	−1	8.7	5.1	7.1	11.7
5,634	Frederick Parker	38	—	7.1	16.2	2.4	3.9
609	George Blair	33	—	—	—	—	—
2,031	Ind. Precision Castings	50	—	7.3	14.6	13.5	17.2
5,424	Isis Conv. Pref.	225	—	17.1	7.5	—	—
8,072	Jackson Group	120	+3	4.5	3.9	6.3	12.3
32,434	James Burrough	235	—	11.4	4.9	13.0	13.4
7,200	Minihouse Holding NV	300	—	4.0	1.3	22.5	22.5
1,224	Robert Jenkins	120	—	20.0	16.6	13.9	9.4
3,000	Scruttons "A"	60	—	5.7	9.5	10.0	7.2
2,669	Torday & Carlisle	76	—	2.9	3.8	—	—
1,971	Travian Holdings	435	—	—	—	8.9	2.1
2,869	Unilock Holdings	17	—	1.0	5.2	11.1	12.2
11,092	Walter Alexander	27	−1	6.8	7.8	7.6	10.1
5,601	W. S. Yeates	240	−2	17.1	7.1	3.7	7.7

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price p	+ or −	Net div.	Times covered	Gross yield	P/E ratio
115	F.P.	13/1	176	136	Aspinall Hldgs 10p	139	+13	bg3.0	3.7	3.1	12.5
35	F.P.	21/12	34	29	Browmaker 1p	31	+1	—	—	—	8.7
‡435	300	10/2	232	188	Brit. Petroleum	175	+6	20.25	1.9	7.0	11.3
*275	100	—	110	96	Cable & Wireless 50p	106	+2	th5.47	3.5	7.4	4.6
75	F.P.	—	76	69	Dataserv Inv. 5p	74	+1	b0.7	5.1	1.4	14.5
64	F.P.	14/12	64	49	Federated Housing 5p	59	+1	bc4.5	2.4	7.0	8.3
§67	F.P.	25/11	64	62	Flogas 10p	63					
85	F.P.	—	96	90	Henara 10p	96					
117	F.P.	—	140	132	High-Point Serv. 10p	138	+3	u3.0	3.1	3.1	13.3
§85	F.P.	—	97	85	Innsnalong'neville	86		b3.15	2.1	5.3	11.7
132	F.P.	—	177	162	Kenyon Securities	177					
150	F.P.	—	155	136	Ldn. & Edin'gh Tst. 10p	142	+4	b5.25	2.6	5.4	8.3
40	F.P.	—	51	37	MME Facilities 10p	37		b0.7	5.2	2.7	12.6
96	F.P.	15/1	101	95	Mabon 10p	96		b3.4	2.0	5.3	12.1
150	F.P.	—	240	216	Moray F. Matt'gs 5p	226		b7.0	2.7	4.4	12.5
90	F.P.	16/12	109	97	Page (Michael) 5p	108					
—	F.P.	—	42	34	Palma Group	40					
140	F.P.	—	165	146	Pericom 10p	150					
—	F.P.	—	32	27	Protimeter 5p	27					
95	F.P.	—	99	95	Synlerials 10p	95					
90	F.P.	13/1	91	91	Toy Homes	93					
130	F.P.	—	140	135	TyneTees TVAN'A'	135		u4.1	2.1	4.4	9.3
136	F.P.	—	138	131	V G Instruments 10p	136					
117	F.P.	16/12	136	108	V. W. Thermax	117					
—	F.P.	—	29	24	Witan Invs. Wrrnts	28					

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price £	+ or −
•	F.P.	—	123	106	Allied Textile 10% Cnv. Uns. Ln. 1993	119	
‖	Nil	—	24pm	16pm	Arlen Elect. 11¼% Cnv. Ln. 1990	19pm	
100	F.P.	3/1	103	101	Bristol Waterworks 8.5% Red. Prf. 1988	101	
99	F.P.	—	99¾	99¼	Colne Valley Water 6% Red. Prf. '90	99¼	
€	F.P.	3/2	133	115	Crystalate 8¼% Cnv. Ln. 2003	130	
99.15	£25	—	25¾	24¼	Elf (U.K.) 10¼% Uns. Ln. '91	25¼	
—	F.P.	—	105	101	External Inv. 8% Cnv. Uns. Ln. 2003 08	101	
•	F.P.	—	190p	96p	Fisher (A.) 7% Cnv. Prf.	120p	
100	F.P.	27/1	91	90	Den. Finances H/V 11.3¼% Ln. 2007	91	
99.714	£30	5/4	32¼	30¼	Int. Bk. for Rec. & Dev. 11.5¼% Ln. 2003	32¼	
97.958	£25	25/1	30¼	25	Ireland 19¾% 2008	26½	
100	F.P.	—	99¾	98¼	Kensington & Chelsea 11.1¼% Red. 2009	99½	
‖	F.P.	10/11	46	30¼	Land Inv. Grp. 7% 1st Cnv. Ln. 1996	44	
§100	£10	—	13	10½	Mid Kent Wtr. 10pc. Red Deb. 1993	11¼	
—	F.P.	—	100¼	99¼	Nationwide 10⅝% Bds. 9/12/84	100¼	
—	F.P.	—	100¼	100½	Do. 10⅛% Bds. 24/12/84	100¼	
€	F.P.	—	30p	28½p	Palma Group 3½% Cum. Prf. £1	30p	
99.44	£25	—	25¼	25¼	Queens Moat 12% 1st Mort. Deb. 2013	25½	
99.995	£30	—	35	29¾	Spain 13% Ln. 1988	30¼	
£100	F.P.	3/2	103	102	Sunderland & S. Shields Wtr. 8% Red Prf. 1989	103	
(100	F.P.	—	100¼	100¾	Tend. Hundred Wtr. 12pc Red Deb 1993	102¼	
¶98½	F.P.	—	101¼	100¼	West Kent Wtr. 6.25pc Red Prf. 1988	101¼	

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price p	+ or −
345	F.P.	—	460	340	Air Call	445	
25	F.P.	16/12	46	31	Borget	37	
63	F.P.	13/1	71	66	Charterhall 5p	71	+2
100	F.P.	16/12	123	115	Haywood Williams	123	
300	Nil	—	50pm	33pm	McCarthy & Stone 20p	37pm	
30	Nil	—	29pm	27pm	Meggitt 5p	29pm	
25	F.P.	15/12	30	28	Philcom 10p	30	
25	Nil	16/1	105	90	Pineapple Dance 10p	100	
C$14⅝	Nil	—	14pm	7pm	Toronto Dom. Bk.	7pm	
85	F.P.	4/1	107	90	Ward White	102	+1
—	‖	21/11	178	133	Western Mining Options	178	+2

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital; cover based on dividend on full capital. *g* Assumed dividend and yield. *e* Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ● Figures or report awaited. § Placing price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. ‖‖ Introduction. ☐ Issued to former preference holders. ■ Allotment letters. † Effective issue price after scrip. † Formerly dealt in under special rule. ✠ Unlisted Securities Market. C Canadian.

COMPANY NEWS IN BRIEF

Cardiff Broadcasting Company, independent local radio station, traded at a profit in the year ended September 30 1983. But interest charges kept the company in loss, although this was reduced substantially from £94,354 to £15,144.

Sales were up 19 per cent to £683,000 and costs contained to a 4 per cent rise. The trading profit came to £5,750 (loss £73,645) and interest charges totalled £20,894 (£20,709).

CBC faces the next year with confidence. Local sales force has been reorganised completely and the company is producing significantly higher local revenue.

* * *

Evered Holdings, engineer, has decided to pass the dividend on the 3.85 per cent cumulative preference shares in respect of the second half-year to December 31 1983.

The board plans to resume payment of the dividend on the preference shares, together with dividend arrears from January 1 1981, after the accounts for 1983 have been formally received by shareholders at the next AGM.

* * *

A near £200,000 reduction in revenue has been shown by Flag Investment for the half-year ended September 30 1983.

Gross revenue was cut from £860,394 to £673,016, and the net figure from £755,394 to £568,016. Flag is a subsidiary of Cavenham Property Holdings, in turn a member of the Générale Occidental group.

BIDS AND DEALS IN BRIEF

Reed Stenhouse, the Canadian insurance broker, now holds 39.8 per cent of Stenhouse Holdings. On December 29, its financial advisers Samuel Montagu purchased a further 100,000 shares at 131p xd each.

Montagu has, therefore, purchased a total of 1,227,000 Stenhouse shares. With the 13,866,169 acceptances received by Reed Stenhouse by December 22, the total is 15,093,169 shares (39.8 per cent).

* * *

English Association Group says that, if its offer for Rosedimond Investment Trust becomes unconditional, it intends to declare dividends at a rate per annum of 3p per share on the enlarged share capital.

The first dividend for which new English Association shares will rank will be the final payment in respect of the year to June 30 1984. This dividend is expected to be paid in November 1984.

* * *

HTN has agreed terms for the acquisition of Cyclo Video. Cyclo's principal business is the acquisition of rights to manufacture and distribute video cassettes of feature films. The consideration is £100,000, satisfied by the issue of 1m ordinary 10p shares in HTN at par.

Cyclo made £43,000 pre-tax profits for the 16 months to October 18 1283

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY
Interims: AIM, Delmar.
Final: Winterbottom Energy Trust.

FUTURE DATES
Interims—
Associated Dairies .... Jan 10
TR City of London Trust ...... Jan 4
Final—
Glass Glover .... Jan 24

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
*Alexanders Discount	Jan 23	Final 13.5
Allied Colloids	Jan 12	Interim 0.65
*Assoc Dairies	Jan 10	Interim 1.25
*Associated Newspapers	Jan 12	Final 6.9
Berisford (S. and W.)	Jan 17	Final 6.0
Bio-Isolates	Jan 21	Final nil
Brown (John)	Jan 28	Interim nil
Daejan	Jan 25	Interim 1.925
*Daily Mail and Gen Trust	Jan 12	Final 20.0
Davy Corpn	Jan 20	Interim 1.1
Dixons	Jan 20	Interim 1.45
*Dowty	Jan 18	Interim 1.65
*Electronic Rentals	Jan 5	Interim 1.667
Esta Prop Inv	Jan 15	Interim 2.75
*Eurotherm Intnl	Jan 19	Final 4.5
*Fitch Lovell	Jan 12	Interim 2.17
Gold Flds SA	Feb 1	Interim 180c
Guinness (A.)	Jan 25	Final 3.65
Henlys	Feb 2	Final 0.1
*Hogg Robinson	Jan 10	Interim 3.0
*ICI	Feb 23	Final 10.0
*Imperial Group	Feb 9	Final 4.5
Kenning Motor	Jan 11	Interim 3.75
Lonrho	Feb 10	Final 5.0
Macarthys Pharmaceuticals	Jan 25	Interim 2.0
*Magnet and Southern	Jan 11	Interim 1.7
Mercantile House	Jan 25	Interim 5.0
MFI Furniture	Jan 20	Interim 1.4
Prop Security Inv Trust	Jan 20	Interim 0.5
*Racal Electronics	Jan 17	Interim 1.391
Rank Org	Jan 25	Final 3.2
Raybeck	Jan 7	Interim due
*SGB	Jan 16	Final 3.8
Samuel (H.)	Jan 10	Interim 1.5
Securicor	Feb 9	Final 1.23
*Stead and Simpson	Jan 12	Interim 1.0
Stock Conversion	Jan 24	Interim 1.75
Tate and Lyle	Jan 19	Final 2.5
*Thorn EMI	Jan 13	Interim 4.05
*Trident TV	Jan 17	Final 3.0
Trusthouse Forte	Jan 19	Final 5.5
*Union Discount	Jan 25	Final 17.0

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Closing prices December 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
17¾	8⅞	AAR	44	2 6	21	183	17½	17⅛	17⅜	
52¼	30½	ACF	1 40	2 8	38	501	50	49¾	50	+ ¼
22	18¼	AMCA	n			1	21⅝	21⅝	21⅝	+ ⅛
16⅝	14¾	AMF	50	3 1		714	16⅛	16	16	- ⅛
36⅞	18½	AMR Co			16	3984	36⅛	35½	36	+ ⅛
19½	15	AMR	pf2 18	11		123	u19¾	19	19¾	+ ¼
40¼	24⅝	AMR	pf2 13	5 6		278	38	37½	38	+ ½
16¾	3⅞	APL			21	91	14½	14⅛	14⅝	- ⅛
55¾	32¼	ARA	2 05	4 0	11	37	51	50½	51	+ ¼
79⅞	50¼	ASA	3a	5 4		298	55⅝	55	56½	- ⅜
30¼	14	AVX	s 32	1 2	41	20	27⅝	27⅛	27⅜	- ⅛
53⅝	36⅞	AbtLab	1	2 2	19	978	45⅝	45⅛	45¼	- ⅛
30⅛	23¼	AccoW	n 60	2 2	20	353	27½	26⅝	27½	+ ⅝
27½	17⅛	AcmeC	40	1 6		38	25½	25¼	25¼	+ ¼
14⅝	7⅞	AcmeE	32b	2 9	544	16	11	10⅞	10⅞	- ⅛
24⅝	8⅛	AcmDg	04	2	13	62	17	16½	16⅝	- ⅛
19⅝	15	AdaEx	1 73e	0 7		83	17⅞	17½	17⅞	
19⅜	7⅛	AdmMl	24	1 5	8	72	16¼	16	16	- ⅛
18⅛	8⅛	Advest	12	1 0	7	233	11⅝	11¼	11½	+ ⅛
35½	12⅞	AMD	5		57	1233	34¼	33⅞	33⅝	
24⅝	13⅝	Aeriix	5		17	117	16¾	16⅛	16½	+ ⅛
43½	32⅞	AetnL1	2 64	7 3	9	1147	36⅛	35¼	36⅛	+ ⅛
103	78½	AetnL	pf 2	2 5		1	80	80	80	-1½
40⅞	22½	Ahmns	1 20	3 9	6	330	30⅞	30½	30¾	- ⅛
7½	2⅞	Aileen				251	4⅞	4⅝	4⅞	- ⅛
51	33⅞	AirPrd	1	2 2	10	125	44⅝	44½	44⅝	- ⅛
[illegible]										

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Market Makers in Euro-Securities

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices December 30

Continued on Page 18

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 16

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅞	7⅛	UnitMM				66	12⅞	12⅝	12⅝	−⅛
3⅝	2¼	UPkMn			1	104	2⅝	2½	2½	
29	21⅞	USFoS	4.28e	17		4	25¼	25½	25⅝	
38⅞	25⅞	UsairG	12	4	11	863	31⅞	31½	31⅝	+⅛
59¼	40	USGyps	2.60	4.4	16	170	59⅛	59	59¼	−⅛
20¼	10	USHo	s.32	2.8	12	1368	11⅞	11	11½	
18¾	10½	USInd	.76	4.6	12	197	16⅝	16½	16⅝	−⅛
46	33¼	USLeas	.76	2.1	9	72	37⅛	36	36	−⅞
48	24⅞	USShoe	s.76	2.0	12	479	37¾	37½	37⅝	−⅛
30⅞	19⅝	USSteel	1	3.3		1788	u31	30¼	30½	
53⅞	44	USStl	pf5.72e	11		306	51½	51¼	51¼	−⅛

Continued on Page 18

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a—dividend also extra(s). b—annual rate of dividend plus stock dividend. c—liquidating dividend. cld—called. d—new yearly low. e—dividend declared or paid in preceding 12 months. g—dividend in Canadian funds, subject to 15% non-residence tax. i—dividend declared after split-up or stock dividend. j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k—dividend declared or paid this year, an accumulative issue with dividends in arrears. n—new issue in the past 52 weeks. The high-low range begins with the start of trading. nd—next day delivery. P/E—price-earnings ratio. r—dividend declared or paid in preceding 12 months, plus stock dividend. s—stock split. Dividends begins with date of split. sls—sales. t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u—new yearly high. v—trading halted. vi—in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd—when distributed. wi—when issued. ww—with warrants. x—ex-dividend or ex-rights. xdis—ex-distribution. xw—without warrants. y—ex-dividend and sales in full. yld—yield. z—sales in full.

WORLD STOCK MARKETS

EUROPE

Records for Frankfurt, Amsterdam

INVESTORS returned with a veogeoce from the holiday weekend io West Germany and the Netherlands and 1984 trading opened with records in both ceotres.

A surprisingly high volume of business in **Frankfurt** was partially attributed to year-end coupon payments from. the bond market being reiovested in shares.

The market is also underpinned by forecasts that last year's rally, which saw the Commerzbank index rise 36.5 per cent, will continue well into 1984.

The index, calculated at midsession, added 18 to a record 1,059.7 while the FAZ index, which gained 45.5 per cent during 1983, added 5.45 on the day to a peak of 357.28.

Bonds began the year oo a firm note while the Bundesbank sold DM 32.5m of paper, after sales totalling DM 71.7m last Thursday – the last trading day of the old year.

Amsterdam, which traditionally sees good New Year demand, beld true to form with the ANP-CBS general index adding 4.3 to 158.5, breaking the consecutive records of the last three days of 1983.

The industrial and internotional indices were also at all-time bighs, with the market spurred by the optimistic economic outlook preseoted by the Dutch Minister for Economic Affairs during the weekend.

Stores group, Ahold, whicb reported a 12 per cent increase in 1983 turnover added Fl 7.10 to Fl 203.80 while iosurer, Nationale Nederlanden, which forecast increased profits over the past year, rose Fl 2.20 to Fl 201.

Dutch bonds began to advance late in the sessioo after a very slow start.

In **Brussels**, shares closed slightly easier after a mixed session while **Milan** ended unchanged with demand for some blue chips offset by marginal losses in other sectors. **Stockholm** rose slightly in quiet trading.

TOKYO DATA

Investment information by computer

LEADING Japanese securities firms have started providing up-to-date informatioo and data on securities and other items to investors abroad under computerised communications systems, *writes Shigeo Nishiwaki of Jiji Press.*

Users based io priocipal cities of the world may obtain informatioo and data almost immediately from large-size computers installed io the securities companies.

Nomura, Daiwa and Yamaichi Securities have all energetically sought to form their respective networks abroad as part of their strategies for international operations, offering influential institutional investors abroad use of the facilities.

Informatioo and data provided to foreign users under the computerised communications systems cover stocks and boods, as well as general economic cooditions, industrial activity and financial and foreign exchange transactions. These services are extended to users io New York, Loodon and other cities in Europe, Bahraio and other areas in the Middle East, Hong Koog, Siogapore and Australia and other Asia-Pacific areas.

There is little difference io the services provided by the three, but Nomura additionally provides ioformation oo stocks and bonds traded in Hong Kong, Singapore and Sydney. Daiwa supplies information and data on Japanese stocks and bonds, based on its own analysis, and Yamaichi emphasises information on stocks for use by professionals.

The securities companies bave repeatedly demoostrated the new systems in the principal cities of the world, meeting represeotatives from central banks, governmeot ageocies, banks, brokerage houses, pension fuods and wealthy private iovestors in the Middle East.

Nomura does not charge for its services, counting on iocreased brokerage revenues through the provision of such services. Daiwa and Yamaichi, oo the other hand, charge around Y500,000 ($2,136) a month.

Nikko Securities, the otber of the big four brokerage bouses in Japan, is expected to team up with an ioternational information service company to provide its informatioo services througb the company's network.

MARKETS were closed yesterday on Wall Street and in London, Tokyo, Hong Kong, Singapore, South Africa, Canada, Australia, Paris, Zurich and Madrid.

AUSTRIA

1983-84 High	Low	Jan. 2	Price %
222	206	Credit'stalt Pfd..	815
370	181	Goesser	526
410	358	Interunfall	410
217	201	Laenderbank	215
400	255	Perlmooser	312
179	145	Steyr Daimler	166
262	171	Veitscher Mag	212

BELGIUM/LUXEMBOURG

DENMARK

CANADA

ITALY

NETHERLANDS

NORWAY

AUSTRALIA

FRANCE

GERMANY

SWITZERLAND

HONG KONG

JAPAN

SINGAPORE

SWEDEN

SOUTH AFRICA

SPAIN

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 17

NEW YORK CLOSING PRICES

Continued from Page 17

CONSTRUCTION CONTRACTS

Wimpey wins £4m port work

WIMPEY CONSTRUCTION UK has won a £4.25m contract to build a management support base for Hydrocarbons Great Britain at Heysham Harbour. The contract forms part of a development by Hydrocarbons, a wholly-owned subsidiary of British Gas, and includes a two-storey reinforced concrete framed management building, single-storey workshop and gatehouse. The development is to provide a field management and onshore central communications and control centre in addition to a marine supply base to support the Morecambe gas field. The site is on the north quay of Heysham Harbour. Wimpey is handling the operation from its regional office in Preston, for a December 1984 completion.

*

WALTER LAWRENCE CONSTRUCTION has started construction on a community care centre on a site between Gilbert and Monkton Streets, London SE11, on behalf of the West Lambeth Health Authority. The £882,965 centre is situated in the grounds of Lambeth Hospital. Due for completion in December 1984, the project consists of a two-storey building totalling 12,465 sq ft of space divided between the two floors. On the ground floor will be a day unit to accommodate 35 people and upstairs is an area for 20 beds for patients to be looked after under the direction of their general practitioners.

*

HOLROYD MACHINE TOOLS AND ROTORS, Rochdale-based member of the Renold Group, has secured a £1.5m order from Russia for special screw compressor manufacturing equipment. Scheduled for completion by the end of 1984 the equipment comprises standard Holroyd 2A milling machines for production of precision helical rotors for screw type air compressors, and specially designed Holroyd 2RB machines for production of gas blower type rotors.

*

MARSHALL CONSTRUCTION GROUP of Elland has won £2m worth of contracts in Crewe, Stockport and Meanwood. At Crewe, the company is involved in another DIY development for B & Q (Retail), the Altrincham based group. The development comprises a 32,000 sq ft DIY centre with a 10,000 sq ft garden centre and an additional separate retail unit of some 25,500 sq ft on the same site. Texas Homecare will operate a retail store at Stockport, being built for Stadium Developments. The project, being handled by Simon Houlston and Partners of Leeds, amounts to some 28,000 sq ft. Stadium Developments has also placed a contract for a supermarket and seven-shops complex at Meanwood, Leeds. The supermarket, to be operated by G. T. Smith and Sons, will provide 40,000 sq ft of retail space.

Tarmac has £16m orders

Contracts worth nearly £16m have been awarded to TARMAC CONSTRUCTION. The largest, nearly £8.4m, is for building the Polesworth section of the M42 in Warwickshire—four kilometres of dual two-lane carriageway motorway with five bridges. Work on the contract, for the Department of Transport, is to start shortly and is scheduled for completion in two and a half years.

Building work won by Tarmac Cubitts includes a contract, worth about £2.5m, for designing and managing the construction of an office building at Staines, Middlesex, for Tarmac Properties. In Scotland, Tarmac Cubitts has a £738,000 contract for a pharmaceutical manufacturing unit at Western Infirmary, Glasgow, for Greater Glasgow Health Board. Other contracts include extensions and alterations to a supermarket at Thornaby, Cleveland, for Hinton and Sons, worth £431,000.

Four contracts for improving local authority homes have also been awarded—128 homes at Low Hill, Wolverhampton, for Wolverhampton Borough Council (£1.5m); 145 homes at Swainhouse, Bradford, for Bradford City Council (£1.4m); 25 homes in Victory Road, Derby, for Derby City Council (£289,000); and converting student accommodation to 38 flats at North Worcestershire College, for Bromsgrove District Council (£337,000).

*

HADEN YOUNG has received orders worth £1.89m. They include a £1.27m air conditioning and mechanical services contract for John Laing Construction at Scarborough General Hospital, and another for the up-grading of mechanical services for the Medical Physics and Outpatients Departments at Bradford Royal Infirmary where French Kier Construction is the main contractor. Both of these hospitals are administered by the Yorkshire Regional Health Authority. Haden Young is also to carry out mechanical services work in connection with the modernisation of Lime Street Station, Liverpool, under a contract awarded by Tyson Management Contractors on behalf of British Rail.

*

JOHN LAWLOR, the Manchester based subsidiary of of F. J. C. Lilley, has won the following contracts worth £1.8m: Work at the Grapes Public House, Oldham Street, Manchester, for Yates Wine Lodge, costing £385,000; remedial work to corridors at Manchester Royal Infirmary worth £420,000; re-roofing of multipurpose block at Manchester Royal Infirmary for £44,000; refurbishment of car showrooms for Heron garages at Stockport at a cost of £117,000; re-roofing of bus garage at Rochdale for the GMPTE Passenger Transport Executive for £288,000; alterations to nursery units at St Patricks, Oldham, St Roberts, Longsight, and St Francis Gorton, costing £110,000 and a £550,000 refurbishment of Austin House, Charlotte Street, for London and Manchester Securities.

*

JOHN LAING CONSTRUCTION has been awarded a £1.6m contract to complete an interchange on the A282 Dartford Tunnel approach road for Kent County Council. Work includes the construction of a three-span, post-tensioned bridge on piled foundations, a single-span bridge over the nearby railway line with reinforced earth retaining wall, and 12,000 sq metres of carriageway, as well as associated drainage, street lighting and ancillary works.

*

At 24 Hanover Square, G.E. WALLIS has commenced work on a major structural refurbishment and conversion to this 260-year-old Grade 2 listed building. Work involves removal of the original ornate wood panelling and mouldings to the Wallis joinery workshops at Maidstone. After complete restoration they will be reinstalled and the building converted to form prestige offices. Savills are acting as project managers for the Scottish Widows Pension Fund, for whom they recently acquired the site. The contract, valued at £1m will be completed in January 1985.

Other recent awards include construction of the Latchmere Sports Hall, for the London Borough of Wandsworth (£1.6m); industrial and office development at Teddington (£1.6m); office refurbishment for IBM at Basinghall Street, to be completed in five months (£1m); church and community centre at Chatham for Christ Church Parochial Council (£500,000); teaching block at West Kent College of Further Education (£500,000); 28 sheltered flats and houses at Cwmbran, Gwent (£1m).

E. Nuttall gains £7m

EDMUND NUTTALL companies have won orders totalling over £7m in England and Scotland. Work includes two contracts for the Boroughs of Thamesdown. The first, for over £1m, is for extensions and alterations to the Chilton Gardens old people's home, and the other, worth £2.6m, is for a multi-storey car park at Swindon, designed by the client, with some design alternatives by Mears, Edmund Nuttall's building subsidiary. Strathclyde Regional Council Water Department has awarded a £640,000 contract for the Camphill inlet main service reservoir which includes 1,080 metres of inlet main with a river crossing and a reinforced concrete reservoir. Lastly, for the Dover Harbour Board, retaining walls are to be built in preparation for further reclamation of the Eastern Docks to provide additional stacking area. Contract value is £890,000.

*

T. PARTINGTON & SON (BUILDERS), Chadderton, has won a contract worth £1.6m to build 76 homes for the City of Salford at Weaste, Salford.

*

PROPAFLOR, part of the Bullough Group, has received orders worth more than £1m. The contracts involve raised access flooring for a number of new and refurbished buildings including the Bank of England; Halco House, SW1; the Standard Chartered Bank, Bishopsgate and a number of Ministry establishments.

*

Spitalfields market, central London's major trading place for fruit and vegetables, is having a £500,000 facelift. The City of London Corporation has called in specialist builders JOHN WILLMOTT (NORTH LONDON), to refurbish the roofs of the main market, the flower market and surrounding flats. Completion is expected by March. John Willmott (North London) are part of the growing John Willmott Group, based at Shefford, Bedfordshire.

*

A. MONK & CO has won a contract worth £231,000 from the Department of Environment, involving diversion of a main sewer at Eastchurch, Isle of Sheppey, Kent. The 1,028 metre sewer involved varies in diameter from 100 to 675 mm.

*

MILLER BUCKLEY CONSTRUCTION'S northern region has been awarded a contract by Argyll Stores to build a £1.5m Presto supermarket at Byker, Newcastle. The supermarket will be on the corner of Corbridge Street and New Raby Street opposite the Byker bus interchange and Metro Station. The development will have a supermarket with a retail area of 22,500 sq ft, 200 car parking spaces, together with service areas at lower ground level. Retaining walls, covered ways and external lighting will also be included. Five separate shop units are included in the development, together with public toilets which are to be operated by the local authority. The supermarket will take 48 weeks to complete and is expected to be finished by September 1984.

*

THE FLETCHER McNEECE PARTNERSHIP, Glasgow, has been awarded a contract to design a £1m Stakis casino at Picardy Place, Edinburgh. The casino will consist of two floors with a gaming room designed in Georgian style together with lounges, bars, restaurant and a private members salon. The project is due for completion in mid 1984.

*

MODAIRE, the Bedford-based construction group, has signed contracts together worth more than £1m to modernise council homes in Harpenden and Barnet. At Harpenden Modaire will renovate 129 houses on the Westfield Estate for the City and District of St Albans at a cost approaching £550,000. The Barnet contract, for the London Borough of Barnet, is worth £460,000 and involves modernisation of 95 flats at Elmshurst Crescent.

*

A. ROBERTS (BUILDING) of Wimbledon has been awarded a £500,000 refurbishment contract at the Royal Garden Hotel, Kensington, London W8, for the Harrowby Casino Club, part of the Trident Television Group. This will involve the conversion of the Bulldog Bar and Chop House into a luxury casino and restaurant, and the work will be undertaken on a fast track programme of only 17 weeks, starting in January.

*

A. MONK AND CO. has won a £261,000 contract to build a seven-span footbridge with associated footpaths, drainage and fencing at Halton, Runcorn, for Warrington and Runcorn Development Corpn. For the County Council at Avon, Monkradio Engineering is constructing a mechanical support and drive system for the south centre maintenance gantry at Avonmouth Bridge.

APPOINTMENTS

Chairman for George Wimpey

Mr Clifford J. Chetwood became chairman of GEORGE WIMPEY on January 1, following the retirement of Sir Reginald Smith. Mr Chetwood joined Wimpey in 1951 after working briefly with Gee Walker and Slater. He was one of the first building manager trainees. He became a group managing director and chairman of Wimpey Construction UK on the restructure of the Wimpey Group in 1979. Subsequently he became chairman of the executive board of George Wimpey, chairman of Wimpey Homes and a director of Wimpey Property Holdings. In July, 1983 he was appointed group chief executive, position he will retain. Mr Chetwood will also act, for the time being, as chairman of Wimpey Property Holdings in succession to Sir Joseph Latham, who retired at the end of 1983.

*

From January 1 Mr T. J. Williamson becomes production director of Birstall Foundry and technical executive of BURWELL REED AND KINGHORN, a Rockware Group company. Mr J. S. Briggs has been appointed to the boards of Burwell Reed and Kinghorn and Birstall Foundry as financial director. He was company accountant of both companies. Mr J. P. Bedford has been appointed production director of Burwell Reed and Kinghorn. He was with Rockware Glass, Knottingley, as production director.

*

FS ASSURANCE has appointed Mr Colin W. McLean as deputy general manager from January 1.

*

ST. KATHERINE INSURANCE CO has appointed Mr David W. G. Sawyer former chairman of Cornhill Insurance to the board. He was also a director of Thomas Tilling.

*

Mr Mel Jarvis, managing director of Slottseal has been appointed chairman of the DRAUGHT PROOFING ADVISORY ASSOCIATION.

*

Mr D. E. Corben and Mr D. C. Knechtli have been appointed to the board of MATHESON AND CO., and Mr M. C. Newer and Mr P. D. Grinnell have been appointed to the board of Matheson Motor Holdings, all from January 1.

*

LEWIS'S, part of the Sears Group, has appointed Mr David Cox, store director of Lewis's Birmingham, as its sales director, based in Manchester. His role will include the direction and integration of many central services of the group, including central promotion, shopfitting and design, and building and maintenance services.

*

MORGAN GUARANTY LTD. has appointed Mr Ian Clark and Mr Thomas Fleming Jr deputy managing directors. Both are members of Morgan Guaranty Ltd's corporate finance department, Mr Clark being responsible for the Asia Pacific area and Mr Fleming for the North America area.

*

Mr Giampiero Gabotto has been appointed regional director for central and western Europe at ALITALIA from January 1. He succeeds Mr Enrico Pacchiarotti who has been appointed regional director for Italy. Mr Gabotto will be based in Alitalia's European office in London.

*

Mr Roger Wood has been appointed deputy chairman as well as chief executive of

Mr Clifford J. Chetwood, chairman of George Wimpey

UNITED CITY MERCHANTS. Mr David Harland and Mr David Rippon become joint managing directors. Mr Daniel Urech is appointed a non-executive director.

*

Dr Barbara E. Marsh and Mr Peter Williams have been appointed part-time members of the MIDLANDS ELECTRICITY BOARD for three years from January 1. Dr Marsh is vice-chairman of Shropshire County Council; Mr Williams is regional manager of ICFC, Birmingham.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

YESTERDAY
DIVIDEND & INTEREST PAYMENTS—
[illegible]

TODAY
BOARD MEETINGS—
[illegible]
DIVIDEND & INTEREST PAYMENTS—
[illegible]

TOMORROW
[illegible]

FRIDAY, JANUARY 6
[illegible]
Watson & Philip
DIVIDEND & INTEREST PAYMENTS—
Allied Irish Banks Fltg Rates Notes 1987 $53.35
Armour Trust 0.165p
Asset Special Situations Trust 0.42p
BBA Group 0.84p
Blue Circle Inds 6¼pcLn 3⅛pc
Brickhouse Dudley 0.95p
British Shoe Corpn 7pcLn 1985-90 3½pc
Brown Shipley 3.5p
Brown-Ferries Industries 24 cts
Cakebread Robey 0.5p, A Non-vtg 0.8p
Castle (G. B.) 0.6p
Colman (E. Alec) Invests 8pcLn 1991-96 4pc
[illegible]
Tootal 1.1p
Trident Computer Services 1p
United Parcels 0.8p
Warrington (Thomas) 1.75p
Wemyss Invst 7st 13p
Whitbread A 1.85p, B 1.85p
Whitbread 7¼pcLn 1995-2000 3⅝pc, 10½pcLn 2000-05 5¼pc
Whitbread Invst 1.06p
Willar 1.155p
Wimpey (George) 0.85p

SATURDAY, JANUARY 7
DIVIDEND & INTEREST PAYMENTS—
House of Fraser 8pc Mtg 1986-01 4pc
M&G Fund of Invst Tst Shs 1.6p

BASE LENDING RATES

A.B.N. Bank	9 %	■ Hambros Bank	9 %
Allied Irish Bank	9 %	Heritable & Gen. Trust	9 %
Amro Bank	9 %	■ Hill Samuel §	9 %
Henry Ansbacher	9 %	C. Hoare & Co. †	9 %
Arbuthnot Latham	9 %	Hongkong & Shanghai	9 %
Armco Trust Ltd.	9 %	Kingsnorth Trust Ltd.	10 %
Associates Cap. Corp.	9½%	Knowsley & Co. Ltd.	9½%
Banco de Bilbao	9 %	Lloyds Bank	9 %
Bank Hapoalim BM	9 %	Mallinhall Limited	9 %
BCCI	9 %	Edward Manson & Co.	10 %
Bank of Ireland	9 %	Meghraj and Sons Ltd.	9 %
Bank Leumi (UK) plc	9 %	Midland Bank	9 %
Bank of Cyprus	9 %	■ Morgan Grenfell	9 %
Bank of Scotland	9 %	National Bk. of Kuwait	9 %
Banque Belge Ltd.	9 %	National Girobank	9 %
Banque du Rhone	10 %	National Westminster	9 %
Barclays Bank	9 %	Norwich Gen. Tst.	9 %
Beneficial Trust Ltd.	10 %	R. Raphael & Sons	9 %
Bremar Holdings Ltd.	9 %	P. S. Refson & Co.	9 %
Brit. Bank of Mid. East	9 %	Roxburghe Guarantee	9½%
■ Brown Shipley	9 %	Royal Trust Co. Canada	9 %
CL Bank Nederland	9 %	Standard Chartered ‖	9 %
Canada Perm't Trust	10 %	Trade Dev. Bank	9 %
Castle Court Trust Ltd.	9½%	TCB	9 %
Cayzer Ltd.	9 %	Trustee Savings Bank	9 %
Cedar Holdings	9 %	United Bank of Kuwait	9 %
■ Charterhouse Japhet	9 %	United Mizrahi Bank	9 %
Choulartons	10½%	Volkskas Intnl. Ltd.	9 %
Citibank Savings ¶	10½%	Westpac Banking Corp.	9 %
Clydesdale Bank	9 %	Whiteaway Laidlaw	9½%
C. E. Coates	9½%	Williams & Glyn's	9 %
Comm. Bk. of N. East	9 %	Wintrust Secs. Ltd.	9 %
Consolidated Credits	9 %	Yorkshire Bank	9 %
Co-operative Bank *	9 %		
The Cyprus Popular Bk.	9 %		
Dunbar & Co. Ltd.	9 %		
Duncan Lawrie	9 %		
E. T. Trust	9½%		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10½%		
Robert Fraser	10 %		
Grindlays Bank ‡	9 %		
■ Guinness Mahon	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 5.5%, 1-month 6%. Fixed rate 12 months: £2,500 9%: £25,000 12 months 9.5%.
† 7-day deposits on sums of: under £10,000 5½%, £10,000 up to £50,000 6½%, £50,000 and over 7½%.
‡ Call deposits £1,000 and over 5½%.
‖ 21-day deposits over £1,000 6½%.
§ Demand deposits 5½%.
¶ Mortgage base rate.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCES

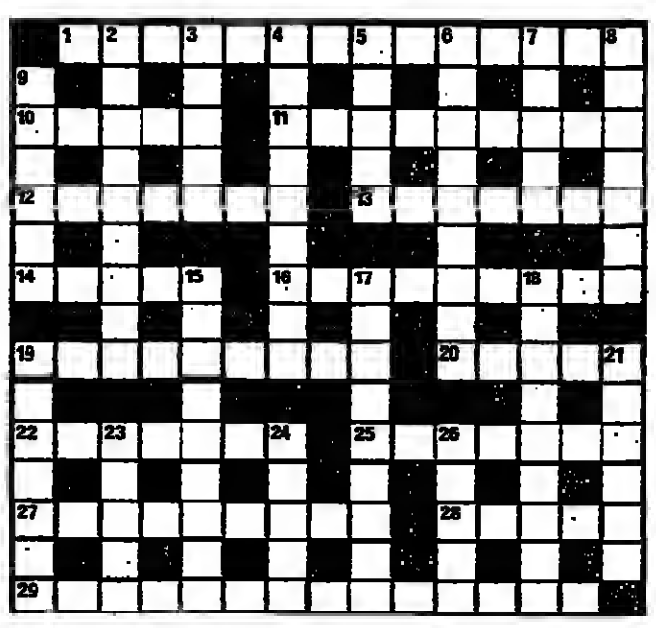
Insurances—continued

Offshore & Overseas—continued

Money Market Trust Funds

Money Market Bank Accounts

F.T. CROSSWORD PUZZLE No. 5,306



ACROSS

1 Where the most cuts in the NHS are being made? (9, 5)
10 Always 45 inches back, splitting marble (5)
11 Exasperate a guide, leader, so old king to fly without one (9)
12 Spotted something requiring medical attention (7)
13 Where the American takes back a tram for renovation (7)
14 Push right inside a seedy club (5)
16 I'm in hospital, getting irritated by the delay (9)
19 Watch it upset me a bit! (9)
20 Manages to find things for the priests to wear (5)
22 Bury motorway turning which is only temporary (7)
25 Not allowed to get firm with me as a result (7)
27 Invent ice cream which provides a stimulus (9)
28 After midnight loud speech is a privilege (5)
29 The Great British public will quite happily stand for this! (5, 6)

DOWN

2 Safeguard a London theatre (9)
3 First-rate couple of chaps (5)
4 Happen to rant about the point of religion? (9)
5 Spicy drink taken during sunrise, for example (5)
6 Try endlessly to remove automatic causing injury (9)
7 Blow up the first bridge and hold out (5)
8 It's the Spanish agent's turn to be graceful (7)
9 Crippled young girl who's taken me in (6)
15 Not a peer's cook making artificial tongue? (9)
17 Remarkable things with soft layer round, and an unusual name (9)
18 Spying mince pies on time (9)
19 Teaching one to take about one in a barrel (7)
21 Has the revised cover (6)
23 Silent jazz fan turns up with it (5)
24 A little time with guerrilla girl (5)
26 Hard to obtain when intoxicated! (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

INSURANCE & OVERSEAS MANAGED FUNDS

OFFSHORE AND OVERSEAS

Wren Commodity Management Ltd.
10, St George's St., Douglas, IoM 0624 25015

Wren Com. Fund	20 0	20 0		—
Chinese Fund	65 2	67 9		—
Precious Metal Fund	114 9	119 7		—
Vanguard Cmdy Fd	33 8	34 7		—
Financial Futures Fd.	60.1	62 5		—
Wren Intl Fnd *	50 431	0 449		—

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U S dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ◆ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. § Yield column shows annualised rate of NAV increase.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%.

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Building Societies

LOANS—continued

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, H.P. & LEASING

BANKS—Continued

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

LEISURE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

OIL AND GAS—Continued

MINES—continued

Australians

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		♥ACM 20c	18	—	—	—	—
—		Allstate Expln NL	34	—	—	—	—
—		♥Australis Mng. NL	24	—	—	—	—
—		Balmoral Resources	15	—	—	—	—
—		♥Black Hill Mins.	33	—	—	—	—
—		♥Bond Corp.	83	—	Q10c	♦	7.7
Nov.	Apr	♥Bougainville 1 Kina	137	11.3	m23.21	1.2	1.3
May	Nov	♥CRA 50c	372	11.3	t03c	—	0.5
—		♥Carr Boyd 20c	74	—	—	—	—
—		♥Central Kalgoorlie	36	—	—	—	—
—		♥Central Pacific	20	—	—	—	—
—		♥Cons Gold Mng Areas	3¼	—	—	—	—
—		♥Coopers Res N.L.	8	—	—	—	—
—		♥Crusader Oil	195	—	—	—	—
—		♥Cultus Pac NL	13½	—	—	—	—

Tins

Miscellaneous

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc.

PROPERTY

INSURANCE

LEISURE

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

OIL AND GAS

NOTES

REGIONAL AND IRISH STOCKS

OPTIONS

3-month Call Rates

Industrials					
Allied Lyons	13	House of Fraser	21	Vickers	12
BOC Grp.	20	I.C.I.	45	Woolworth Hld.	35
B.S.R.	18	"Imps"	12		
Babcock	15	I.C.L.	6	**Property**	
Barclays Bank	45	Ladbroke	21	Brit. Land	9
Beecham	28	Legal & Gen.	45	Cap. Counties	15
Blue Circle	40	Lex Service	35	Land Sec.	34
Boots	17	Lloyds Bank	50	MEPC	24
Bowaters	22	"Lofs"	3	Peachey	17
Brit. Aerospace	19	London Brick	10	Samuel Props.	12
B.A.T.	14	Lucas Inds.	16	Sterling Guar	4
Brown (J.)	3	"Mams"	12		
Burton Ord.	38	Mrks. & Spncr	20	**Oils**	
Cadburys	11	Midland Bank	42	Bristol Oil & Min.	6
Courtaulds	11	N.E.I.	10	Brit Petroleum	35
Debenhams	14	Nat. West. Bank	55	Burmah Oil	16
Distillers	20	P & O Dfd.	22	Charterhall	8
Dunlop	5	Plessey	20	Premier	5
Eagle Star	60	Racal Elect.	18	Shell	50
F.N.F.C.	6½	R.H.M.	7	Tricentrol	28
Gen. Accident	42	Rank Org. Ord.	19	Ultramar	60
Gen. Electric	17	Reed Intnl	34		
Glaxo	75	Sears	0		
Grand Met.	38	T.I.	14	**Mines**	
G.U.S. 'A'	55	Tesco	16	Charter Cons.	22
Guardian	45	Thorn EMI	55	Cons. Gold	50
G.K.N.	16	Trusthouse	16	Lonrho	8
Hawker Sidd.	32	Turner & Newall	8	Rio T. Zinc	50
		Unilever	75		

"Recent Issues" and "Rights" Page 12

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Late fall for the dollar

BY COLIN MILLHAM

The dollar lost ground last week, after a year when the U.S. currency has been at record levels, or the highest for many years, against all major currencies.

In August the dollar was very firm on fears that money supply growth would lead to tighter U.S. monetary policy and higher interest rates, and this led to a further climb by the U.S. currency in December, until signs of slower than expected economic growth changed sentiment ahead of the new year.

During the summer the dollar rose to a near 10-year peak against the Deutsche Mark of DM 2.7315, but then retreated before the December bulge in M1 monetary growth, funding of the very large U.S. budget deficit, and expectations that inflationary pressure would produce higher interest rates pushed the dollar to the year's high of DM 2.7780 in December, and to record levels of FFr 8.4775, and L1682.50.

The dollar seemed to be losing much of its attraction as the year ended, however, following the first fall in U.S. leading indicators for 15 months. The November figure was expected to show little change, and the decline of 0.4 per cent came as a surprise to financial markets, but tended to support earlier signs of lower than anticipated economic growth after the flash estimate of only 4½ per cent increase in U.S. gross national product for the fourth quarter of 1983.

This left the dollar at closing levels of DM 2.7235, compared with DM 2.3775 a year earlier; FFr 8.3175, against FFr 6.7350; SwFr 2.1805 against SwFr 2.0075; but lower against the strong Japanese yen at Y231.55, compared with Y234.80.

The main pressure on sterling has resulted from speculation about lower world oil prices, but the pound finished the year on a firm note, following indications that North Sea oil prices will hold steady in the first quarter of the new year. Sterling touched a record low of $1.4540 in March, and also lost ground to the dollar towards the end of the year, falling to an all time low of $1.4140 on December 16.

£ in New York

	Dec. 30	Previous
Spot	$1.4685-4545	$1.4625-4635
1 month	0.08-0.10 dis	0.07-0.10 dis
3 months	0.23-0.27 dis	0.24-0.28 dis
12 months	0.88-0.98 dis	0.80-0.98 dis

£ forward rates are quoted in U.S. cents discount.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.4516	1.4524	1.4541	1.4561	1.4608
D-Mark	3.9550	3.9438	3.9225	3.8827	3.8302
French Franc	12.07	12.1025	12.1975	12.3454	12.6089
Swiss Franc	3.1650	3.1488	3.1238	3.0825	2.9984
Japanese Yen	336.5	335.6	334.2	331.7	326.8

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU December 30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	46.0969	+2.66	+1.93	±1.5447
Danish Krone	8.14104	8.18269	+0.51	−0.22	±1.6425
German D-Mark	2.24184	2.25748	+0.70	−0.03	±1.0642
French Franc	6.87456	6.90358	+0.42	−0.31	±1.4052
Dutch Guilder	2.52595	2.53713	+0.44	−0.29	±1.4964
Irish Punt	0.72569	0.728961	+0.45	−0.28	±1.6699
Italian Lira	1403.49	1371.99	−2.24	−2.24	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

BANK OF ENGLAND TREASURY BILL TENDER

	Dec. 30	Dec. 23		Dec. 30	Dec. 23
Bills on offer	£100m	£100m	Top accepted rate of discount	8.8442%	8.8643%
Total of applications	£481.85m	£546m	Average rate of discount	8.8391%	8.8513%
Total allocated	£100m	£100m	Average yield	9.04%	9.06%
Minimum accepted bid	£97.796	£97.78	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	75%	69%			

THE POUND SPOT AND FORWARD

THE DOLLAR SPOT AND FORWARD

UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 56.45-56.55.

Belgian rate is for convertible francs. Financial franc 81.95-82.05. Six-month forward dollar 0.43-0.48c dis. 12-month 0.88-0.98c dis.

OTHER CURRENCIES

Dec. 30	£	$		Note Rates
Finland Markka	8.4185 8.4445	5.8140-5.8170	France	12.02-12.14
Greek Drachma	144.0 144.60	98.40-98.90	Germany	3.94-3.97
Hong Kong Dollar	11.27-11.27¾	7.7775-7.7805	Italy	2385-2415
Iran Rial	126.60*	86.30*	Japan	335-339
Kuwait Dinar (KD)	0.4245 0.4250	0.29275-0.29290	Netherlands	4.42-4.46
Luxembourg Fr.	80.65-80.75	55.68-55.60	Norway	11.10-11.21
Malaysia Dollar	3.58 3.38¾	2.3320-2.3350	Portugal	186-203
New Zealand Dlr.	2.2055 2.2251	1.5255 1.5278	Spain	224½-236
Saudi Arab. Riyal	5.0750 5.0800	3.500 3.5007	Sweden	11.55-11.66
Singapore Dollar	3.07-3.07¼	2.1190 2.1280	Switzerland	3.14-3.17
Sth. African Rand	1.7694 1.7798	1.2187-1.2202	United States	1.44-1.46
U.A.E. Dirham	5.3240-5.3285	3.6720-3.6730	Yugoslavia	206-222

* Selling rates.

CURRENCY MOVEMENTS

Dec. 28	Bank of England Index	Morgan Guaranty Changes %
Canadian dollar	93.0	"
Austrian schilling	114.6	"
Belgian franc	89.4	"
Danish kroner	78.6	"
Deutsche mark	134.8	"
Swiss franc	101.0	"
Guilder	114.6	"
French franc	66.2	"
Lira	48.1	"
Yen	156.8	"

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

Dec. 29	Bank rate %	Special Drawing Rights	European Currency Unit
Belgian F	10	8.88168	46.0969
Danish Kr	7	N/A	8.18266
D mark	4	8.96168	2.26748
Guilder	5	3.20838	2.05713
French F	9½	8.73942	6.90358
Lira	17	1737.41	1371.99
Yen	5	243.108	191.743
Norwgn Kr	8		8.38109
Spanish Pta	—	164.057	128.690
Swedish Kr	8½	8.37665	6.82898
Swiss Fr	4	N/A	1.80409
Greek Dr'ch	20½	103.305	81.7773

C$/SDR rate for Dec 28: 1.29859

EXCHANGE CROSS RATES

Dec. 29	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.452	3.955	336.5	12.07	3.165	4.445	2401.	1.806	80.70
U.S. Dollar	0.689	1.	2.725	231.8	8.316	2.181	3.062	1654.	1.244	55.60
Deutschemark	0.253	0.367	1.	85.08	3.053	0.800	1.124	607.1	0.457	20.40
Japanese Yen 1,000	2.972	4.314	11.75	1000.	35.87	9.406	13.21	7135.	5.366	239.8
French Franc 10	0.829	1.203	3.277	278.8	10.	2.622	3.683	1989.	1.496	66.86
Swiss Franc	0.316	0.458	1.250	106.3	3.814	1.	1.404	758.8	0.570	26.50
Dutch Guilder	0.225	0.327	0.890	75.70	2.715	0.712	1.	540.2	0.406	18.16
Italian Lira 1,000	0.416	0.605	1.647	140.1	5.027	1.318	1.851	1000	0.752	33.61
Canadian Dollar	0.554	0.804	2.191	186.4	6.685	1.753	2.462	1330.	1.	44.70
Belgian Franc 100	1.238	1.799	4.901	417.0	14.96	3.922	5.508	2975.	2.237	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Dec. 30	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	8-9⅛	9⅛-8¾	8½-9	5⅝-5¾	1¼-1⅝	5¾-3⅞	18¼-12½	—	8½-10	8½-10	6⅛-6¼	8⅝-10⅛
7 day's notice	[illegible]	9⅝-9¾	8¾-9¼	5¾-5⅞	2¼-2½	6¼-5⅞	13¼-18½	14½-16½	10-10½	10-10½	6¼-6⅜	10⅝-11⅛
Month	[illegible]	9-9⅞	9¼-9½	[illegible]	2⅜-2½	6¼-5⅞	12¼-18⅝	15⅝-19⅝	10¼-10¾	10⅜-10⅝	[illegible]	11¼-11¾
Three months	[illegible]	[illegible]	[illegible]	6-6¼	3⅝-3¾	5⅞-5⅝	13¼-13¾	16½-17¼	10¾-11¼	10⅞-11⅛	[illegible]	11⅛-11⅝
Six months	[illegible]	[illegible]	[illegible]	[illegible]	3¾-3⅞	5⅞-6⅛	14⅛-14⅜	17¼-18	11-11½	11-11¼	6⅜-6⅝	10⅞-11⅜
One Year	[illegible]	10¼-10½	9⅞-10	[illegible]	3⅞-4⅛	6⅜-6½	14⅜-14⅝	17⅞-18⅛	11-11½	11⅛-11⅜	[illegible]	10⅝-11⅜

Asian $ (closing rates in Singapore): Short-term — per cent; seven days — per cent; one month 10⅛-10¼ per cent; three months 10⅜-10½ per cent; six months 10⅝-10¾ per cent; one year 10¾-10⅞ per cent. Long-term Eurodollars two years 11½-11⅝ per cent; three years 11⅞-12 per cent; four years 12-12⅛ per cent; five years 12⅛-12¼ per cent nominal closing rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Hopes of easier rates

Interest rates ended the year on a soft note in London, at roughly 1 per cent lower than January levels as far as sterling interbank rates were concerned.

Clearing bank base rates began the year at 10-10½ per cent, but quickly rose to 11 per cent on January 12 on the weakness of sterling. At that time there was some relief that base rates did not climb to 12 per cent but the nervousness was fairly short lived, and money market rates

UK clearing banks' base lending rate 9 per cent (since October 4 and 5)

then showed little change until March. On March 15 base rates fell to 10½ per cent, and then to 10 per cent in April; 9½ per cent in June; and to the present level of 9 per cent on October 4.

There was some nervousness in the early summer about the general election, but this soon passed, as the market kept its attention focused on U.S. interest rates. There was hope that the U.S. discount rate would be cut before the Williamsburg Summit at the end of May, but for most of the year there was no upward pressure on rates because of fears of excess money supply growth and overheating in the U.S. economy as a result of fast recovery from the recession.

Money supply growth caused concern on both sides of the Atlantic during the year, but U.S. figures finished within Federal Reserve targets, while UK aggregates were also inside the official range.

Against this background inflation is expected to remain under control in the U.S. and Britain, leading to lower interest rates in New York and London.

Nervousness about the pound pushed one-year sterling interbank rates above 10 per cent in December, the highest level since mid-September, and for the first time that any fixed period was in double figures since the cut in clearing bank base rates in early October. But with the pressure off sterling rates have now eased, and are expected to move lower, providing U.S. rates show the expected fall.

MONEY RATES

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING 11.00 a.m. December 30

6 months U.S. dollars

bid 9 15-16 | offer 8 15/16

6 months U.S. dollars

bid 10 | offer 10 1/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

NEW YORK (4 pm)

Prime rate	11
Broker loan rate	11½-11¾
Fed funds	9¾
Fed funds at intervention	10½
Treasury Bills	
One month	8.25
Two month	8.76
Three month	8.95
Six month	9.14
One year	9.22
Treasury Bonds	
Two year	100¾
Three year	99¾
Four year	99¾
Five year	99¾
Seven year	99⅞
10 year	99¾
30 year	101¾

FINANCIAL FUTURES

LONDON

CHICAGO

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.4348	0.4349	0.4345	0.4339
June	0.4388	—	—	0.4379
Sept	—	—	—	0.4115

Volume 6 (60)
Previous day's open int. 229 (277)

GNMA (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	68-15	68-15	68-12	68-15
June	67-18	67-22	67-17	67-22
Sept	66-23	66-26	66-22	66-27
Dec	66-00	66-02	65-31	66-04
March	—	—	—	—
June	64-27	—	—	64-31
Sept	64-13	—	—	64-17
Dec	64-01	—	—	64-05
March	—	—	—	—
June	—	—	—	—
Sept	—	—	—	—

WEEKLY CHANGE IN WORLD INTEREST RATES

	Dec. 30	change		Dec. 30	change
LONDON			**NEW YORK**		
Base rates	9	Unch'd	Prime rates	11	Unch'd
7 day Interbank	9⅛	Unch'd	Federal funds	10	+⅞
3 mth Interbank	9⅛	−⅛	3 Mth. Treasury Bills	8.97	+0.07
Treasury Bill Tender	8.8391	−0.0222	6 Mth. Treasury Bills	9.14	+0.05
Band 1 Bills	9⅛	Unch'd	3 Mth. CD	8.70	−0.10
Band 2 Bills	9	Unch'd	**FRANKFURT**		
Band 3 Bills	8⅞	Unch'd	Lombard	5.50	Unch'd
3 Mth. Treasury Bills	8⅞	−⅛	One Mth. Interbank	6.45	−0.070
1 Mth. Bank Bills	8	Unch'd	Three month	6.40	Unch'd
3 Mth. Bank Bills	8⅞	−⅛	**PARIS**		
TOKYO			Intervention Rate	12	Unch'd
One month Bills	6.34375	−0.125	One Mth. Interbank	12.1875	Unch'd
Three month Bills	6.28185	Unch'd	Three month	12.50	+0.0625
BRUSSELS			**MILAN**		
One month	10⅛	Unch'd	One month	17⅛	Unch'd
Three month	11	Unch'd	Three month	17⅛	Unch'd
AMSTERDAM			**DUBLIN**		
One month	5⅞	−⅛	One month	12⅛	−⅛
Three month	6⅛	−¼	Three month	12⅛	−⅛

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 8⅞.

COMPANY NOTICES

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN

NIPPON SHINPAN CO. LTD.

Further to our notice of September 23, 1983, EDR holders are informed that Nippon Shinpan has paid a dividend to holders of record September 30, 1983. The cash dividend payable is Yen per Common Stock of Yen 50.00 per share. Pursuant to Clause 6 of the Deposit Agreement, the Depositary has converted the net amount, after deduction of Japanese withholding taxes, into United States Dollars.

EDR holders may now present Coupon No. 12 for payment to the undermentioned agents.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate.

Failing receipt of a valid resident Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to all dividends unclaimed after April 30, 1984.

Amounts payable in respect of current dividends.

We are pleased to confirm that copies of the Quick Information of Annual Results of Operations for the six months period ended September 30, 1983, of Nippon Shinpan Co. Ltd. are now available to EDR holders upon application at the offices of the Depositary and Agent at the addresses shown below.

Depositary: Citibank, N.A., 336 Strand, London WC2R 1HB

Agent: Citibank (Luxembourg) S.A., 16 Avenue Marie Thérèse

January 3, 1984

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRs) IN

NIPPON SHEET GLASS CO LTD

EDR holders may now present Coupon No. 5 for payment to the undermentioned agents.

Payment of the dividend with a 15% withholding tax is subject to receipt by the Depositary or the Agent of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving the benefit of the reduced withholding rate.

Failing receipt of a valid affidavit Japanese withholding tax will be deducted at the rate of 20% on the gross dividend payable. The full rate of 20% will also be applied to all dividends unclaimed after April 30, 1984.

Amounts payable in respect of current dividends.

Depositary: Citibank, N.A., 336 Strand, London WC2R 1HB

Agent: Citibank (Luxembourg) S.A., 16 Avenue Marie Thérèse

January 3, 1984

CONTRACTS AND TENDERS

HOME-GROWN CEREALS AUTHORITY

GRAIN STORAGE

The Home-Grown Cereals Authority on behalf of the Intervention Board for Agricultural Produce invites tenders from companies experienced in the handling and storage of grain (wheat, barley, rye and oilseed rape) for appointment under contract to manage grain stores at:—

York;

Locharbriggs, Nr Dumfries;

Prees Heath, Nr Whitchurch, Salop;

Tangmere, Nr Chichester;

The stores will be used for grain purchased by the Board in accordance with EEC Regulations and will be fully equipped for that purpose. Companies experienced in this field wishing to tender should, in the first instance apply, by January 20th, for further information to:—

HOME-GROWN CEREALS AUTHORITY
Hamlyn House, Highgate Hill, London N19 5PR
Tel: 01- 263 3391 – Telex: 27615/267828)

For attention: Mr J Wright

stating for which store(s) they might be interested in tendering.

Closing date for receipt of tenders will be noon on February 29th 1984.

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on December 30 1983. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT	VALUE OF £ STERLING	PLACE AND LOCAL UNIT	VALUE OF £ STERLING	PLACE AND LOCAL UNIT	VALUE OF £ STERLING

* Rate is the transfer market (controlled). †† Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (§) Based on gross rates against Russian rouble. (1) Essential goods. (2) Preferential rate for priority imports such as foodstuffs. (3) Non-essential imports and private sector applicants. (4) Preferential rate for public sector debt and essential imports. (5) Free rate for luxury imports, remittances of money abroad and foreign travel. (6) Government controlled for non-essential imports. (7) Parallel rate.